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NATO
Failing to read writing on the wall
Page 2

World News — Business Summary

Nicaragua slides towards anarchy after heavy fighting

The nine-day strike by pro-Sandinista trades unions threatened to degenerate into anarchy after a night of heavy fighting in Managua, the Nicaraguan capital.

Automatic rifles, grenades and rockets were used in exchanges between armed right-wing supporters of President Violeta Chamorro's government and striking workers who have occupied workplaces and manned barricades in the city. Page 12

Poland seeks treaty

Poland asked the four Second World War allied powers not to give up responsibility for Germany until a proposed treaty guaranteeing recognition of the Oder-Neisse border was in force. Page 2

Polish blockade

Polish farmers blocked roads with tractors, trucks and combines in an attempt to put pressure on the Solidarity-led Government into guaranteeing minimum farm prices. Police said all main highways were blocked. Page 2

Hope for Albanians

Thousands of Albanians who are seeking refuge in several embassies in the capital, Tirana, are expected to leave the country over the next few days following negotiations between Rome, Tirana and the United Nations. Page 2

Brussels quota plea

European Commission asked EC governments to remove from October most quotas on Bulgarian and Czechoslovak goods entering the Community, as part of attempts to help eastern Europe. Page 3

African democracy

African leaders, buffeted by calls for change on the impoverished continent, pledged more democracy for their countries in a declaration adopted at the end of the annual Organisation of African Unity (OAU) summit. Page 4

Boat people talks off

A meeting of the international conference on Indo-Chinese boat people, scheduled to take place in Geneva next week, has been cancelled, with some south-east Asian nations refusing to attend because of US opposition to forced repatriation. Page 4

Hong Kong law move

Hong Kong took the first step to liberalise its strict colonial-based legal system, with the eventual aim of easing the way for a Bill of Rights ahead of the UK colony's return to China in 1997. Page 4

China U-turn

China announced a major new plan to salvage its tottering economy and stimulate production in a U-turn involving big new loans to enterprises and lower interest rates on existing loans. Page 12

Syria accuses Israel

Syrian Foreign Minister Farouq al-Shara said a wave of Israeli air raids against Lebanese Hizbollah bases this week were undermining efforts to arrange the release of one of the western hostages in Lebanon. Page 4

1,000 on riot charge

Kenyan authorities have charged more than 1,000 people with rioting after four days of anti-government protests in which at least 20 people were killed, newspapers said. Meanwhile ANC deputy leader Nelson Mandela appeared unwell after flying in on a private visit. Page 4

Mozambique talks

Mozambican government and Renamo rebels held their first direct talks in Rome this week and agreed to work for an end to the 15-year civil war in the southern African country, the two sides said.

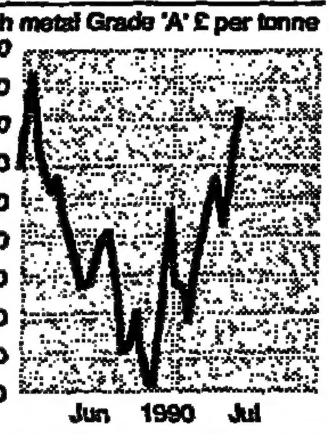
Italian bank reform to allow private capital entry

One of the most important reforms of the Italian banking system since the mid-1930s looks set to clear parliament after two years of gestation. The "Amato Law" clears the way for the entry of private capital into the vast majority of Italy's 1,000 or so publicly owned banks and savings banks. Page 12

COPPER prices in both London and New York surged on brisk physical offtake in Europe and the Far East. Cash metal on the LME closed at £1,587 ($2,840) a tonne, and its premium over three-month metal widened to £73.50 from Tuesday's £61.50. Commodities, Page 22

Copper

Cash metal Grade 'A' £ per tonne



CREDIT LYONNAIS, French state-owned bank, has agreed in principle to take control of Banco Comercial Español (BCE), a subsidiary of Spain's Banco Santander. Page 15

BANK of ENGLAND governor, Robin Leigh-Pemberton, warned of the divisive consequences of a two-speed approach to European Monetary Union. Page 12

MOTOROLA reported higher second quarter results with a recovery in semiconductor markets and further rapid growth in cellular telephone markets. Page 14

EAST GERMANY froze 56 bank accounts suspected of illegal transfers of (East) Marks before their conversion into D-Marks on July 1 at the rate of two to one. Page 2

LYONNAISE DES EAUX, France's second largest water supply group, agreed to merge with Dumez, country's second largest construction company. Page 13; Analysis, Page 15

MAGNET GROUP, kitchen and bedroom furniture retailer, lost £80m ($143m) before tax in the nine months to March 31. Page 13; Lex, Page 12

CHINA has unveiled a plan to salvage its economy in a U-turn from the "austerity policy" imposed in autumn 1988. Page 12

COURTAULDS, the British chemicals and materials company, is buying a large US business in aircraft paints for about $50m. Page 13

WEST GERMAN government bond prices edged up slightly despite fears of an interest rate rise. Page 18

ISRAEL'S trade deficit grew to $1.5bn in the first half of the year compared with the same period in 1989 as a surge in imports outstripped export growth. Page 4

ATLANTIC COMPUTERS group, main holding company of collapsed computer leasing group, told creditors that they would probably receive a payout of only "a few pence in the pound" on potential claims estimated at over $900m. Page 13

PEQUIVEN, petrochemicals subsidiary of state-owned Petroleos de Venezuela, is to build a $350m chloralkali plant, partly financed through debt-equity swaps. Page 3

We regret that because of technical problems, some statistical tables could not be published normally in this edition.

Compromise over agriculture will remove stalemate in trade talks

G7 chiefs agree farm subsidies deal

By Peter Riddell and Peter Norman in Houston

THE leaders of the world's largest industrial democracies yesterday reached a compromise agreement on the contentious issue of agricultural subsidies that should unblock the stalemate in important multilateral trade negotiations.

The Group of Seven – the US, Japan, West Germany, Britain, France, Italy, Canada – and the European Commission, wound up three days of negotiations agreeing also to set up a six-month study into the problems and needs of the Soviet economy and a series of compromises about future commitments to environmental protection.

The agreement sets out the terms under which the farm talks can proceed, without spelling out in detail how far farm subsidies, which cost taxpayers and consumers in the developed world $245bn a year, will fall.

Until this week, Uruguay round negotiators had been unable to agree even on the modalities for negotiating reform.

Even yesterday the US and the EC put differing interpretations on the compromise.

The communiqué takes as the basis of negotiations a compromise plan put forward 10 days ago by Mr Aart De Zeeuw, the Dutch chairman of the agricultural negotiating group in the Uruguay round of multilateral trade negotiations in Geneva.

The communiqué "commends" his text "as a means to intensify the negotiations."

Both sides welcomed the agreement but put differing interpretations on it. A compromise was agreed which would permit detailed negotiations to resume on July 23, without resolving the specific issues of which farm subsidies will be reduced, when and by how much.

The main achievement of the leaders has been to end the deadlock and to allow negotiations to proceed.

Mrs Margaret Thatcher, the British Prime Minister, said the agreement "opens the way for a successful conclusion of the Uruguay round."

Agricultural trade subsidies was the most vexed issue facing the G-7 meeting. The issue has held up progress in the far-reaching Uruguay round which also covers textiles, intellectual property rights, investment and trade in services.

The US, backed by 14 farm exporting countries, has pressed for commitments on reducing specific categories of agricultural subsidy while the European Community has sought recognition of the special character of European agriculture.

A spokesman for the EC noted that there was no specific commitment to accept the De Zeeuw proposals specifically, nor was there any commitment to a timetable for reducing farm subsidies nor a call to eliminate them.

EC agriculture ministers will meet early next week to finalise specific negotiations proposals for the Community.

Mrs Carla Hills, the US Trade Representative, claimed that the summit had given a strong political push to the trade negotiations with the EC committing itself to becoming fully engaged.

She highlighted a reference to the three specific areas of internal price support, market access and export subsidies.

Unlike the EC she interpreted communiqué language as constituting "a strong endorsement" of the De Zeeuw report.

Mr Julius Katz, the Deputy US Trade Representative, said there had been "a very considerable evolution" on the part of the EC, so that the process had been moved forward without resolution on the specific differences.

In particular, the compromise means that the EC is pleased with a reference to a common instrument of measurement of overall farm subsidies while the US can point to a negotiating framework also involving the three separate subsidies. Apart from agricultural trade the summit leaders also pushed forward the debate on protecting the environment without making specific commitments on the control of various emissions which damage the environment and contribute to global warming.

These will be dealt with at

Farm export subsidy move alarms Danes, Page 3
Continued on Page 12

British Prime Minister Margaret Thatcher and West German Foreign Minister Hans-Dietrich Genscher in Houston

Environment accord annoys activists

THE LEADERS yesterday reached a series of compromise agreements on environmental policy that were immediately condemned as inadequate by environmental protection groups, Peter Norman and Peter Riddell report from Houston.

Environmental questions took up nearly a quarter of the 16-page communiqué issued at the end of the three-day summit here.

But despite insisting that "one of our most important responsibilities is to pass on to future generations an environment whose health, beauty, and economic potential are not threatened," leaders of the US, Japan, West Germany, France, Britain, Italy, Canada and the European Community's Commission set few specific objectives for achieving this goal.

One of the few concrete actions agreed among the Seven was a decision to co-operate with the Brazilian Government on a comprehensive pilot programme to counteract the threat to tropical rain forests in that country.

The summit countries asked the World Bank to prepare such a scheme in co-operation with the EC Commission and present it at next year's economic summit which will be held in London in July.

On the important issue of controlling greenhouse gases that contribute to global warming the summit failed to agree on any specific targets for controlling their emission into the atmosphere.

Mrs Thatcher, the British Prime Minister, said afterwards that the summit had displayed a "much better understanding and sense of common purpose on environmental issues among the group of seven countries."

However, she admitted that the problem of global warming had "not really been tackled yet."

Proposals put forward by West Germany's Chancellor Helmut Kohl to seek a commitment from other nations for a 25 per cent cut in carbon dioxide emissions by the year 2005 were dropped from the summit discussions because of US objections.

However, the final communique did contain guidance for the group of seven countries on how to fend off the problem of global warming.

The summit agreed, for example, that lack of full scientific certainty as to the causes of the problem was no excuse to postpone actions which are justified in their own right.

Ligachev in last-ditch stand for deputy party leadership

By Quentin Peel and Leyla Boulton in Moscow

MR Yegor Ligachev, the standard-bearer of the conservatives in the Soviet Communist Party, threatened yesterday to precipitate the ultimate split in the party by making a last-ditch stand for the deputy leadership.

He announced his candidacy in spite of the nomination by President Mikhail Gorbachev of Mr Vladimir Ivashko, the former Ukrainian party leader, for the job.

A victory for Mr Ligachev would represent the revenge of the party conservatives, who have so far been railroaded into toeing the reformist line of the party leader through 10 days of stormy party congress.

The challenge came as Mr Gorbachev was also facing a revolt from coal miners across the country. They staged a symbolic one-day strike to demand the resignation of the Government, and curbs on the powers of the ruling party.

As delegates voted for the deputy leadership last night – the result is to be announced today – Mr Ivashko was still the favourite to win. There was a real chance, however, that Mr Ligachev, the darling of a large part of the 4,700-strong congress, could precipitate an upset or force a hung ballot.

A victory for Mr Ligachev would split the party, with large numbers of reformist-minded party members turning in their party cards. It would also undermine Mr Gorbachev's hopes of a radical democratic overhaul of the party, just when the congress seemed to be going the Soviet leader's way.

The battle for the key new job in the party hierarchy came after a day of drama in the congress, during which Mr Gorbachev used every trick at his disposal to keep the conservative majority under control.

First Mr Ligachev's name was included on the list, then it was crossed off, and finally it was reinstated, in an extraordinary round of procedural wrangling.

The biggest point against him was his age – he will be 70 this year – which, for all the adulation of his supporters, is a reminder of the discredited gerontocracy of the Brezhnev years.

Throughout the turmoil, Mr Ligachev remained unbowed, gripping the lectern when he

Continued on Page 12
Soviet mine strike, Page 2

ICI and Enimont may sell PVC maker for $1.8bn

By Peter Marsh in London

IMPERIAL Chemical Industries (ICI) of Britain and Italy's Enimont are discussing the sale of their jointly owned plastics business, one of the world's biggest, for up to £1bn ($1.8bn) to Occidental Petroleum of the US.

The talks concern the Brussels-based European Vinyls (EVC), Europe's biggest maker of polyvinyl chloride (PVC), a large-selling plastic. ICI and Enimont, two of Europe's biggest chemicals groups, have run EVC as a joint venture since 1986.

EVC has annual sales of about £900m and accounts for about a fifth of the west European PVC business. It employs about 4,000 people in 12 factories in the UK, Italy, West Germany and Switzerland.

Occidental, the US's 10th biggest chemicals company, has been anxious for some years to expand in Europe, where it has few chemicals operations. Assuming the sale goes ahead, the deal would mark one of the biggest purchases in Europe by a US chemicals company.

ICI is keenly interested in selling some of its businesses in high-volume, low-price areas such as plastics. Profit margins in such businesses can fluctuate wildly due to sudden changes in demand.

In recent months, ICI planners have worked out which parts of its £14bn-a-year operations it might make sense to sell. This is part of ICI's strategy, under Sir Denys Henderson, chairman, to push more resources toward fast-growing, less cyclical parts of the chemicals sector.

Enimont, a joint venture between the privately owned Montedison group and the Italian Government, is in a difficult position as a result of disagreements between its two owners. It is thought that Montedison broadly favours a sale of the company's stake in EVC while the Italian Government wants to keep it.

Mr Roger Hirl, president of Occidental's chemicals division, said yesterday he hoped to finalise the acquisition by the end of the year.

If the sale goes ahead, it would create a giant company in PVC, which is widely used in packaging and building materials. and pipes. Occidental is already the US's biggest company in PVC. It accounts for about one fifth of total PVC production in the US of

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Nigerian Government arranges shake-up in banking sector

By William Keeling in Lagos

THE NIGERIAN Government has orchestrated a wide-ranging shake-up in the country's banking sector which has led to the replacement of the boards of 12 of the country's leading commercial and merchant banks.

The federal Government has a controlling interest in all the banks involved and Chief Olu Falae, Finance Minister, announced that service contracts of the 134 directors involved would not be renewed.

The action comes amid speculation that Nigeria's banking system is carrying bad debts of up to 20bn naira ($2.7bn).

Included in the shake-up are three of Nigeria's largest banks – First Bank of Nigeria, Union Bank and United Bank for Africa – which are seen as among the best managed in the country.

Concern over the bad debt issue centres on the host of banks controlled by state governments, as well as many of the smaller banks which have sprung up in recent years. In the past four years, the number of banks has more than doubled from 41 (29 commercial and 12 merchant) to about 100.

Many of the newer banks were formed to exploit Nigeria's foreign currency auction system, whereby every approved operator was guaranteed a share of the allocation of foreign currency made available by the central bank.

There are no reliable statistics to indicate the total of bad debts in Nigeria, where monitoring of the banking sector is generally seen as inadequate.

Senior bankers have for some time expressed concern about the level of risky and unsecured lending.

Referring to the bad debt concerns, one banker explained: "If the popular figure of 20bn naira is correct, bad debts would be more than the capital base of all the banks put together."

The changes in the 12 boardrooms had been expected for some weeks after the authorities made known plans for a large-scale reorganisation of Nigeria's banking sector.

In particular, observers believe that the Government is keen to reduce its own equity stake in the sector and also keen to increase the limit on individual share ownership to 20 per cent from the present 5 per cent.

Many analysts believe that the federal Government is hoping to promote mergers between healthy banks and those with the worst bad-debt portfolios, although this may prove difficult to arrange.

Nigeria's limited government-backed deposit insurance scheme is seen as capable only of covering small investors in the event of any collapse.

A number of commercial and merchant banks are still suffering from a government decision last year to transfer all ministerial and parastatal accounts to the central bank.

The central bank responded by making fresh money available on soft terms. But this has proved expensive, with an estimated 1.3bn naira having been disbursed, much of it to banks which have little ability to repay.

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President Menem survives a tough match for Argentina

When President Menem, pictured, left, was inaugurated one year ago, Argentina was so low there was scarcely any direction to go but up. Simply to have survived was a notable victory for Mr Menem
Page 11

MARKETS

STERLING
New York lunchtime:
$1.8005
London:
$1.7985 (1.8155)
DM2.9675 (2.99)
FFr9.9825 (10.035)
SFr2.5225 (2.5350)
Y267.25 (270.25)
£ index 93.5 (94.1)

GOLD
New York: Comex Aug $355.5
London:
$354.25 (354)

N SEA OIL (Argus)
Brent 15-day Aug $16.30 (16.10)

Chief price changes yesterday: Page 13

DOLLAR
New York lunchtime:
DM1.6505
FFr5.5390
SFr1.4005
Y148.755
London:
DM1.6505 (1.6470)
FFr5.5400 (5.5275)
SFr1.4030 (1.3960)
Y148.65 (148.85)
$ index 65.7 (65.5)
Tokyo close: Y148.10

US lunchtime rates
Fed Funds $8\frac{3}{16}$%
3-mo Treasury Bills: yield: 8.025%
Long Bond: $102\frac{1}{16}$
yield: 8.55%

STOCK INDICES
FT-SE 100:
2,360.5 (+33.0)
FT Ordinary:
1,877.7 (+22.7)
FT-A All-Share:
1,160.62 (+1.1%)
New York lunchtime:
DJ Ind. Av.
2,914.85 (+24.01)
S&P Comp
359.19 (+2.7)
Tokyo: Nikkei
32,294.18 (+141.76)

LONDON MONEY
3-month interbank:
closing $14\frac{15}{16}$% (same)
Liffe long gilt future:
Sep 84 ($84\frac{1}{16}$)

Angry workers say Government has failed to keep agreements

Soviet miners stage warning strike

By Leyla Boulton in Moscow

STRIKING MINERS across the Soviet Union's coalmining areas took to the streets yesterday to call for the Government's resignation in the face of denials from President Mikhail Gorbachev that the stoppage had widespread support.

The 24-hour protest coincided embarrassingly with the congress of the Communist Party, which has long proclaimed itself the vanguard of the proletariat but had no answers yesterday for angry workers.

Tass, the official news agency, said that strikes hit mines from the Donetsk region in the southern Ukraine to Vorkuta in the Arctic. Several mines in two other regions – Karaganda and the Siberian basin of Kuznetsk (Kuzbas) – also took part in what miners have billed as a "warning strike".

The strikers want the resignation of Prime Minister Nikolai Ryzhkov's government for failing to honour an agreement last July to improve their living conditions after a protracted strike.

At the party congress, Mr Vladimir Lysenko, a radical deputy, urged delegates to support the miners' demands, and to back the formation of a new coalition Government.

But Mr Gorbachev, who has already hinted strongly at the possibility of establishing a coalition, denied the strike was widely followed. "There is no general strike of the sort Comrade Lysenko mentioned," he said to a roar of applause. "And even there in the Kuzbas, where the fierlest hotheads turned out to inflame things there in that very tense situation, in one case only 70 people showed up for a rally. In Donetsk, 2,000 people are gathering in a square for calm discussions."

Mr Ryzhkov said angrily: "I have a question for Comrade Lysenko: Who empowered him to appear in the name of the miners here today? Who concretely? Which pit?" Mr Lysenko's resolution was not even put to a vote.

Tass said that 10 out of 13 mines in Vorkuta had taken part in the strike, and that several other enterprises including a poultry farm, and locomotive shed, had joined in.

Reporting from the Kuzbas, it said some 60 per cent of miners supported strike action but that estimates of 300,000 strikers were premature. It said only a third of the 120 Donbas mines had stopped. "Other mines take part in the political action but continue to produce coal," it added.

Dr Leonid Abalkin, the Deputy Prime Minister responsible for economic reform, told reporters that the Government had kept its promises but that miners were now making new, political, demands.

Although a ban on both political strikes and those in the energy sector made yesterday's action doubly illegal, the Government appeared to rule out action against the miners.

Miners' delegates at the congress who opposed the strike, shared their colleagues' anger and many of their demands, saying neither housing nor food supplies had improved.

World inflation threat passing, says UK group

By Andrew Marshall, Economics Staff

THE THREAT posed by inflation to the world economy is passing, and healthy growth is set to continue, a leading UK research group says today.

High interest rates have done their job, says Oxford Economic Forecasting in their latest international report*. This implies that the present level of rates may be set to decline over the next year, rather than increase as many forecasters expect, and that the danger of interest rate overkill forcing a recession has passed.

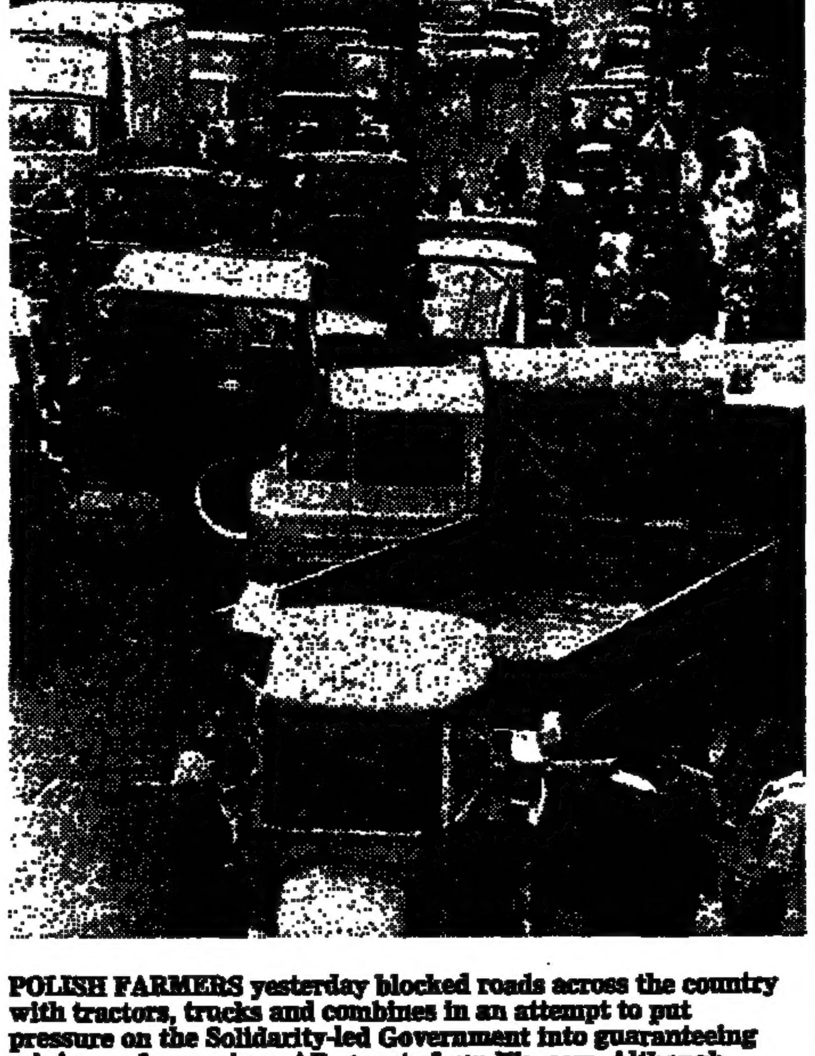
The principal inflationary threat had been thought to be from the unification of West and East Germany, the report says; but OEF's prognosis is that "inflationary concerns will be balanced out by upwards pressure on the DM in the first few months of union, and that short-term rates will not increase further."

The European economy faces the challenge of German monetary Union "in fine health". The East German appetite for goods and services will help to reduce the German trade surplus, the report says. It estimates that East Germany will import extra capital and consumer goods worth DM40bn ($24.24bn) over the first year of union.

In the US, "The economy is well into the predicted slowdown, although not yet in recession," OEF says, and "the unexpected price pressures of the first few months of 1990 have eased." This bodes well for lower interest rates and a recovery to underlying growth rates, the consultancy says. But, the report argues, "high interest rates pose far more of a threat in Japan." Japanese rates went up later than those elsewhere and the effects may be in the pipeline.

In general, the report says, the picture is rosy: the world economy is "In good fundamental health, despite the present slackening in some parts of the world." But, it warns, "A gloomier out-turn, if it happens, is likely to be market generated." Worried by the costs of bailing out savings and loans institutions in the US, German unification and a further slide in Japanese markets, financial markets may upset the apple cart. Because of this, OEF say, "the need for a safety net, in the form of discretionary intervention and international co-ordination, would still seem overwhelming."

**World Economic Prospects Summer 1990 (£85, or £200 annually) OEF, Templeton College, Kennington, Oxford OX1 5NY.*



POLISH FARMERS yesterday blocked roads across the country with tractors, trucks and combines in an attempt to put pressure on the Solidarity-led Government into guaranteeing minimum farm prices, AP reports from Warsaw. Although the protest appeared largely successful, there were no signs that the Government intended to give in.

Atlantic alliance fails to read the writing on the wall

IN THE past few days, western leaders have been making heroic efforts to save President Mikhail Gorbachev. At the Nato summit in London last week, they solemnly reassured the Russians that there was no longer any cause for conflict between east and west. At this week's Group of Seven economic summit in Houston they have offered expansive gestures of co-operation with the Soviet Union. They may not have been able to agree on the cash to go with it, but at least the goodwill was unmistakable.

This elaborate show of smiles and waves is unlikely to have any of the intended effects on the object of the west's solicitous concern. Mr Gorbachev may be grateful for any support he can muster in these difficult times. But western gestures will make little difference either to his political survival or to the prospects of reform in the Soviet Union.

The melodramatic alarms at the party congress, with one clan warning in the wings of the danger of a military coup, suggest that the republic may be about to go into spasm. There is not the slightest hint that Nato's wordy declaration, or the communique from Houston, will persuade the angry factions to leave off the battle, to pause and think again, and then march off stage right, singing the theme song of perestroika in a richly Orthodox harmony.

On the contrary, Nato's offers of peace have been answered by a strong statement from the party that the Soviet Union is still threatened by the west and must strengthen its armed forces.

A more serious objection to the policy of appeasement is that, in their anxiety to reassure the Soviet Union, the western governments seem prepared to jeopardise, or at least neglect, their fundamental interests. It is all very well to wave reassuringly; but if you are at sea and out of your depth, it is difficult to wave and swim; and soon we shall see that they are not waving, but drowning.

Take the Nato summit. Americans claim that President George Bush brilliantly advanced all kinds of American foreign policy goals: he bolstered Mr Gorbachev, speeded up the unification of Germany, and got the European allies to back a new vision of the Atlantic alliance.

Unfortunately, none of this is true. Mr Gorbachev's position remains as parlous as ever; German unification is unstoppable, and cannot be speeded or slowed by the man from Washington; if there is a new vision of the Atlantic alliance, it remains a mystery. The most plausible forecast is that Nato and the alliance will follow the Warsaw Pact down the road of disintegration, and that nothing that took place at the London summit is likely to delay the process.

The essential feature of the alliance as we know it is the voluntary commitment of an American military presence to Europe, and the voluntary acceptance of that presence by the Europeans. The surprising thing about the Nato declaration is that it did not give an unequivocal endorsement to this presence.

IAN DAVIDSON ON EUROPE

Mr Bush sought to appease the Russians and the Germans by advancing the notion that nuclear forces would in future be weapons of "last resort", but this is a profound irrelevance; did anyone imagine that Nato had previously intended to use nuclear weapons at any other moment? Nato is defined, not by a form of words nor by a list of weapons, but by the depth of commitment of the member states.

All Nato governments say that they want the Americans to stay in Nato and in Europe; but everybody knows that the decision will be up to the Germans. Once Germany is united, and the rights of the four occupying powers have been signed off, American and other western troops can only remain in Germany by a new invitation.

On this fundamental point, last week's Nato statement, which was negotiated in advance between Washington and Bonn, was strikingly ambiguous. The reference to the benefits of the existing American presence in Europe came in a paragraph which immediately went on to assert that there would have to be profound changes.

One obvious reason for German ambiguity is that they want to get Soviet troops out of East Germany, and indeed out of eastern Europe; so they must play down the question of US troops in western Germany. But another reason is that, after they have recovered complete national sovereignty, they may want to get rid of all foreign troops from their side of the border as well.

At the end of the Nato summit, President François Mitterrand dropped a small bombshell by forecasting the withdrawal of all 50,000 French troops from Germany. The most logical, and most cynical, explanation, is that he was alarmed by the prospect that the Bush-Kohl axis would prolong the US domination of Nato, and that a revision of Nato strategy would face France with the invidious choice between integration and isolation. It was therefore easier to pre-empt, by announcing a further withdrawal of France from any Nato integration.

This would be an entirely characteristic French approach to their defence dilemma. But French officials insist that in this case Mr Mitterrand was not expressing a preference, let alone a policy, but merely a prediction. French troops will only be able to stay in Germany if the Germans ask; but when the time comes, he believes, the Germans will not ask. It is a powerful commentary on 27 years of Franco-German co-operation, but there you are.

The moment of truth is not far off. By the end of this year, Germany will be united. Thereafter, the Germans will have to choose whether to ask or not to ask. Glutinous phrases of reassurance and solidarity will be trotted out, and long and elastic transition periods will be on offer. But if Mr Mitterrand is right, the Germans will not ask, and that will be that.

When the Americans realise that their days in Germany are numbered, you can start to say goodbye to Nato as we have known it. We may keep a moral alliance of sorts, but it will be very different. Above all, we shall stop hearing of the tremendous exploits of President Bush in fashioning a new strategy for the defence of Europe.

Houston summit, Page 5

Albanians expected to leave this week

THE thousands of Albanians who are seeking refuge in several embassies in the capital, Tirana, are expected to leave the country over the next few days following negotiations between Rome, Tirana and the United Nations, writes Judy Dempsey.

But western diplomats who fear a second wave of asylum-seekers yesterday asked the Albanian authorities to tighten security around the embassies in Tirana.

Two Italian ferries are due to arrive today in the Albanian port of Durres. But the precise time at which the refugees will be taken out of the embassies remains unknown.

"The Albanians have reserved for themselves the right to decide [the timing] at the last minute," an Italian foreign ministry official said. People could surge into the port if they knew the details of the operation, he said. "It would be a thing of Biblical proportions." Italian television can, however, be picked up in Albania.

The ferries will transport all the refugees from the Italian, French and West German embassies to the Italian port of Brindisi. The 3,000 Albanians who had sought asylum in the West German embassy will be transported by train to the Federal Republic.

The latest moves coincide with unconfirmed reports that Enver Hoxha's widow, Mrs Nexhmije Hoxha, will be forced into early retirement. She is head of the Democratic Front, a mass party organisation which is backed by the ruling Albanian Party of Labour, and also vice-president of the People's Assembly. Her demotion would signal attempts by Mr Ramiz Alia, leader of the APL, to isolate the conservative Hoxha faction and promote less dogmatic officials.

MEPs compromise on software piracy

The dominant Socialist and Christian Democrat groups in the European Parliament yesterday reached a compromise on the controversial EC directive aimed at curbing software piracy, writes Tim Dickson in Brussels.

Changes adopted by the MEPs included key amendments on "reverse engineering" – exempting those who need to retrieve information from another company's programme for maintenance and other purposes but building in extra safeguards for the owner.

The European Commission says it does not intend to change its own proposal – but computer industry lobbyists believe the Strasbourg view may yet influence discussions in the Council of Ministers.

E Germany acts on illegal Mark transfers

By Leslie Colitt in East Berlin

EAST GERMANY yesterday froze 56 bank accounts belonging to private citizens, companies and organisations suspected of illegally transferring millions of black market East Marks into bank accounts before their conversion on July 1 into D-Marks at the rate of two to one.

Mr Matthias Gehler, the government spokesman, said the names of suspected violators had been passed on to the justice authorities.

A Finance Ministry investigation of 6,400 private accounts each holding more than 100,000 Marks ($60,000) led to the freezing of 26 accounts worth a total of nearly 4m Marks. The accounts of 30 companies were also frozen.

Depending on age and other circumstances, East Germans were allowed to change up to 6,000 of their near-worthless Marks into West German money at a one-to-one rate under the terms of the economic merger. Higher sums could be changed at a rate of two East Marks to one D-Mark.

Thirty accounts were frozen out of 660 investigated holding more than 250,000 Marks each. A total of "far more" than 10m Marks was in these accounts, said Mr Gehler.

But Mr Hans Neumann, the Finance Ministry spokesman, said the low figures were "extremely deceptive." Most of the depositors of Marks obtained in the west at the black market rate (which reached 20 Marks 20 to DM1 in December) were careful to spread them over several accounts. "This is probably merely a fraction of the actual violations," he said.

The Finance Ministry under Mr Walter Romberg, a Social Democrat, opposed releasing the results of the investigation because of the small number of violators uncovered. But the Christian Democratic-led Government under Mr Lothar de Maiziere prevailed.

● East Germany has agreed to give Jews from the Soviet Union and other countries asylum for "humanitarian reasons." The Government said a new asylum regulation would take effect for other asylum seekers as well.

Nearly 500 recently arrived Soviet Jews are to be given financial aid and help in finding accommodation and integrating themselves. An Interior Ministry official said between four and six arrived daily.

East German chemical workers are to get a 35 per cent pay rise backdated to July 1, the West German chemical, paper and ceramics union said yesterday, Reuter reports from Hanover.

The union said the rise followed negotiations between East and West German chemical unions held on Tuesday in East Berlin. It was clear that all partners were keen to bring East German wages in line with those paid to West German chemical workers, it said. But all parties agreed this could only be achieved through gradual increases.

Tax assault on Belgian companies

By Lucy Kellaway in Brussels

BELGIAN companies yesterday came under fire from Mr Fons Verplaetse, the country's central bank governor, who complained that the corporate sector was paying far too little tax, and proposed wide reform of the system.

His remarks come just as ministers start to discuss next year's budget, out of which they are trying to squeeze savings of some BFr55bn (£916m). Up to BFr15bn of this is expected to come from corporate taxation, which has lagged behind GNP growth since the early 1980s and is now much lower than in most other European countries.

The Socialists, who are in the governing coalition, are pressing for an overhaul of company taxation to support the budget. They are likely to back the governor's proposal that companies and Government should negotiate the corporate sector's total tax burden, making it rise in step with GNP.

Businesses have complained that such a scheme would be impractical and say the bank is intervening in a matter which does not concern it.

According to central bank figures, companies paid on average 16 per cent of their profits in tax last year, compared to an official tax rate of some 41 per cent. The reason for the discrepancy is a large number of perfectly legal loopholes, of which most big companies make full use.

Three-month strike ends at Waterford

By John Maher in Dublin

THE three-month-old strike at Waterford Glass, the crystal manufacturing division of the Waterford Wedgwood group, ended yesterday as unions and management agreed to a phased return to work by 2,300 employees.

Eight of the 14 main points at issue in the dispute have been resolved, with the remaining six to be referred to the Irish Labour Court for binding arbitration.

The strike, the first in Waterford's 40-year history, began after management tried to implement cost-cutting proposals to return the struggling company to profitability. In March, a group of US investors led by Mr Tony O'Reilly, chief executive of Heinz, paid I£80m (£73m) for a 30 per cent stake in the group.

During the dispute, management warned that crystalware demand in the UK and US markets was falling, and that it might be necessary to move the Waterford operation to eastern Europe to ensure the company's future.

As part of the settlement, craftworkers have accepted a management proposal that the long-established "bonanza" payments at the centre of the dispute be replaced by new performance-related bonus payments. These payments compensated piece-rate workers for wages lost due to public holidays.

They also agreed an increase in the working week from 37½ to 39 hours, and a raising of the pensionable age of glass cutters and blowers from 58 to 61. The Labour Court is to decide when these arrangements will be reviewed. The court will also determine compensation for the company's decision to end overtime.

A Waterford spokesman refused to estimate the cost of the strike but the group's stockbroker, Davy, has reduced its 1990 forecast from pre-tax profits of I£8m to a pre-tax loss of I£13m. The group posted pre-tax losses of I£20.6m last year.

Mr Paddy Byrne, chief executive officer of the Waterford Wedgwood group, said that while he welcomed the return to work, "it must be realised that we have still a long way to go to transform Waterford Crystal into a robust and profitable part of the group. Until this is achieved, the future of the crystal division will not be secure."

Mr Walter Cullen, a union leader at Waterford, said the workers were pleased "that a number of conditions that management had not wanted, such as holiday payments and wage increases for lower paid workers, will now be put into effect."

Although work is to start again immediately, full production is unlikely to be resumed for several months. A tank furnace at one of the main Waterford plants was damaged through lack of use during the dispute and repairs are not expected to be completed until October.

Paris injects funds into TV company

The French Government is to inject FFr590m (£59m) of fresh money into Société Française de Production et de Création Audiovisuelles (SFP), the leading state-controlled television production company, writes George Graham in Paris.

SFP, which has accumulated losses of FFr940m over the last three years, will be recapitalised and restructured, cutting 500 of its 2,000 jobs. It will in future concentrate on production and television services, particularly outside broadcasts.

Malta set to file EC application

Malta will officially apply to join the European Community next Monday, government officials said yesterday, writes Godfrey Grima in Valletta. The application will be filed in Brussels by Dr Guido De Marco, Foreign Minister.

However, the opposition Labour Party argues that Malta should improve its association agreement with the EC rather than plump for full membership.

E Europe's newspapers feel squeeze

By Ray Snoddy

MANY NEWSPAPERS in eastern Europe are in financial crisis although a few are boosting circulation by importing both western capital and photographs of topless models.

The first private television stations are also making their appearance, and video and satellite television are starting to grow, according to a report by the UK Advertising Association together with the European Advertising Tripartite.

Liberalisation has so far brought more problems than advantages, with papers suddenly having to pay market prices for newsprint. Already there have been widespread job losses and closures.

Only half of Warsaw's nine daily newspapers are expected to survive the year.

"In Hungary and Poland, soft-porn magazines have put in an appearance and been enthusiastically received and the 'page-three-girl' style of journalism is already producing some upswings for newspapers in both countries," the report says.

The structure of broadcasting is being reviewed across eastern Europe and a significant swing towards the private sector is expected. The first private television station was launched in the Polish city of Wroclaw in February.

Poland also seems to be in the lead in the introduction of video. There are already around 3m recorders in eastern Europe - more than 1m of them in Poland.

Poles worried over border treaty

POLAND yesterday asked the four Second World War allied powers not to give up responsibility for Germany until a proposed treaty guaranteeing recognition of the Oder-Neisse border was in force, Our Foreign Staff writes.

A foreign ministry statement complained West Germany was refusing to discuss the treaty before unification with East Germany, expected at year-end.

"Poland is afraid the question of the border treaty will not be finally settled before the unification," it said.

Bonn reacted with puzzlement to Poland's call. Foreign Ministry officals said the two German states and the four wartime victors had agreed last month that the question of the Polish border would be definitely settled at the next "2 plus 4" meeting in Paris next Tuesday. Mr Krzysztof Skubiszewski, Polish Foreign Minister, has been invited to attend.

Bonn contends four-power control over Germany should end on unification, to give the unified German state full sovereignty.

Foreign ministry officials said this policy would be incompatible with the Polish demand that control should continue after unity until the new German parliament concludes a binding treaty recognising the Oder-Neisse line.

The ministry says the all-German parliament will give "first priority" to concluding a legally-binding treaty with Poland. But clearly, this treaty might not be ratified until several weeks or months after formal unity.

There is speculation in Bonn that the Warsaw Government brought out its statement to underline to the opposition Communists that it is taking a tough line over German unity.

Officials believe some quarters of the Polish Government may want to link the border treaty with other demands for financial claims on Germany resulting from the war.

Germany's durable elites keep a hold on levers of power

By David Marsh in Bonn

GERMANY'S polychrome 20th century history, with its oscillating cycles of boom and bust, dictatorship and democracy, requiem and renewal, has turned many top Germans' career paths into zig-zags rather than straight lines.

Political and economic elites well acquainted with the levers of power are often more durable than the regimes they serve.

As West Germany climbed the ladder of recovery after 1945, any idea of excluding from positions of influence all the 8m people listed as members of the Nazi party proved neither feasible nor desirable.

Four and a half decades later, there are clear parallels in East Germany. Many of the managers, functionaries, journalists and officers who, up to last autumn, were among the 2.3m adherents of the Socialist Unity (Communist) Party have now discarded their party lapel badges and are embracing market economics.

The presence of ex-Nazis in many areas of West German public life was always moderately controversial, but well known. Former Chancellor Kurt Georg Kiesinger and ex-President Karl Carstens were among the many who joined the party for, it appeared, reasons of opportunism or acquiescence rather than ideology.

One example of continuity between the Third Reich and the post-war democracy which has, however, attracted comparatively little attention is the Bundesbank, the independent central bank. The omission partly reflects the general German myths surrounding matters of money, as well as the Bundesbank's high standing at home and abroad.

Official records show that Mr Otmar Emminger, president of the Bundesbank between 1977 and 1979, was a member of the Nazi party, as were several other top figures in the early years of West German central banking.

Mr Emminger, who died in 1986, served as vice president between 1970 and 1977 and was West Germany's best known central banker on the international circuit during the 1960s and 1970s. He was not believed to have been an active member of the National Socialists. The reasons why he joined the party around 1937 at the age of 26 are not clear.

Mr Emminger's family say they were unaware of his Nazi membership, and point out that his father, a former Justice Minister in the Weimar Republic, was persecuted by the Nazis.

Mr Karl Blessing, the Bundesbank's first president, who held office for 12 years after the bank's foundation in 1957, was a former Nazi, although towards the end of the Second World War he forged contacts with the anti-Hitler resistance.

As late as 1969, Mr Blessing's last year at the Bundesbank, seven of the central bank's 20-man policy-making council were ex-Nazis. They included three out of nine members of the central bank's directorate (including Mr Blessing and Mr Emminger) and four of the 11 regional central bank presidents.

Several ex-Nazi officials working after the war at the Bundesbank and its forerunner, the Bank deutscher Länder (set up in 1948), were formerly employed at the pre-1945 Reichsbank. Often, they joined the National Socialists semi-automatically to further their careers.

Mr Emminger, by contrast, was not a member of the Reichsbank. Attached in 1934-35 to Berlin university, he was a soldier during the war who also held posts at economic institutes in Berlin and Vienna.

Mr Friedrich-Wilhelm von Schelling, now aged 84, a former Reichsbank official who was president of the Hamburg central bank between 1957 and 1974, was one of the seven ex-Nazis on the central council in 1969. He says he joined in 1940 partly to help influence the party's affairs. "I fooled myself – it was an utter illusion," he says.

Key officials among the allied victor powers certainly knew of the number of ex-Nazis at the Bank deutscher Länder and the Bundesbank during the early post-war years. But the issue was never discussed widely.

According to Mr von Schelling, "Normally no-one much liked talking about it."

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WORLD TRADE NEWS

Venezuela to fund chemical plant with debt-equity swap

By Peter Montagnon, World Trade Editor

PEQUIVEN, the petrochemicals subsidiary of the state-owned Petroleos de Venezuela, is to build a \$350m (£195m) chlor-alkali plant, partly financed through debt-equity swaps.

The deal, one of the clearest indications yet of the potential use of debt-equity swaps for international project financing, marks the declining importance of conventional export credit and bank loans in large projects in this part of the developing world.

Only \$150m of the financing is from export credits, provided by the US and West Germany, while \$100m will come through a capital injection from Petroleos de Venezuela and \$115m from debt-equity swaps.

These funds will provide the project with \$15m in working capital and pay for the plant. Construction will be undertaken by two consortiums, led by Uhde and Ferrostahl of West Germany and Oxytec, a unit of Occidental Petroleum of the US.

The financing is being arranged by Morgan Grenfell, the UK merchant bank, which is assembling a syndicate of banks prepared to convert their holdings of Venezuelan debt into preference shares in the project. The shares will be redeemable in 12 years' time and carry dividends at a rate linked to eurodollar rates plus an unspecified margin.

Morgan Grenfell said the banks will bear commercial risk in the project as well as the normal investment risk associated with developing countries, such as expropriation and blockage of dividend remittance, but, once their debt is converted into equity in the project, they will be out of normal Venezuelan rescheduling and involved in a project with its own foreign exchange cash-flow.

The debt swap will involve conversion of existing debt at a rate of 70 cents per dollar of face value. Though Morgan Grenfell declined to give further financial details, it said the terms would give participating banks a better yield and shorter maturity than the discount bond that Venezuela is offering to bank lenders under the Brady plan.

The US and German export credit agencies would receive a counter-guarantee from Petroleos de Venezuela for their part in the financing, and thus would not bear any of the commercial risk attached to the project.

Petroleos de Venezuela is the country's largest foreign exchange earner. It has assets of \$30bn and has in the past resisted the temptation to borrow abroad, but is doing so now to fund an ambitious investment programme.

Morgan Grenfell has already arranged similar but smaller deals in the Venezuelan cement, pulp, and metal alloy sectors over the past two years, and it is expected that others will follow.

The council of the General Agreement on Tariffs and Trade yesterday approved the terms for Venezuela to join the world trade organisation. Formal approval by Gatt's members should come in the next few days with the finalising of Venezuela's tariff schedules. Venezuela has undertaken to reduce immediately all its tariffs to 50 per cent, has guaranteed to hold them at that level and to reduce them to 40 per cent after two years.

Tinned ham, one of Denmark's prime exports, will be hit by the move to cut subsidies

Talks on reforming world trade in textiles in disarray

By William Dullforce in Geneva

THE talks on liberalising world trade in textiles and clothing are in open disarray. One country after another has voiced reservations about the draft agreement tabled by Mr Lindsay Duthie, the chairman of the group negotiating in Gatt's Uruguay Round, and has asked for substantial amendments.

Changes called for by the European Commission have led to charges that the Community is backtracking from its commitment to liberalisation.

The confusion has been compounded by lobbying by European and US textile manufacturers and by retailers.

Phasing out the Multi-Fibre Arrangement (MFA), which has governed the trade through bilaterally agreed import quotas for 30 years, is a key issue for developing countries. They are unlikely to accept liberalisation in the other 14 areas under negotiation, if they do not receive satisfaction on textiles.

The negotiating group is due to submit a draft framework agreement to the Round's Trade Negotiations Committee (TNC) on July 23. The text proposed by Mr Duthie follows broadly the developing countries' blueprint for the gradual elimination of the MFA.

However, it retains other options. For instance, while it adopts the system favoured by most countries of dismantling the MFA step by step, it keeps as an alternative the US proposal that MFA import quotas be replaced by a system of global quotas during the transition period.

The US idea of using global quotas has been backed only by Canada. Other delegations feel that it should be dropped entirely by the TNC meeting.

The EC regards the chairman's draft agreement as lopsided, arguing that it does not provide the tighter Gatt rules for the trade that the EC has been demanding as a condition for liberalisation.

This week the European Commission proposed adding provisions against dumping, subsidies and the counterfeiting of trademarks, designs and models. It has called for the establishment of a governing committee to verify that countries abide by any new agreement and to ensure that "a continuing balance of mutual advantages" is maintained as the agreement is implemented.

Brussels has drawn the ire of developing countries most of all, first, by insisting that countries must be able to take selective safeguard action against individual countries or concerns responsible for massive surges of imports instead of applying restrictions on a non-disriminatory basis.

Second, in the teeth of developing-country preference for a multilateral approach, it has maintained that bilateral deals can offer a more practicable method of dismantling the MFA.

The approach advocated by the EC would amount to the continuation of the MFA on even stricter terms, one developing country negotiator said. EC officials say that the Community remains committed to the elimination of the MFA but must insist on tighter disciplines against predatory marketing than those contained in Mr Duthie's draft text.

The EC's attitude was challenged yesterday by the Brussels-based Foreign Trade Association (FTA), whose managing director, Mr Helmut Wienholt, will today expound to negotiators European retailers' backing for liberalisation. This will be a joint effort with the US National Retail Federation, which represents large department stores, and the US Retail Industry Trade Action Coalition.

By making liberalisation conditional on selective safeguards, tougher anti-dumping rules and reciprocal access to Third World markets, the European Commission was bent on continuing the MFA well into the next century with even greater protection for domestic producers and less concern for consumers than now, Mr Wienholt said.

West Germany yesterday informed the Gatt Council that East Germany had become part of the EC's customs union.

The implication is that exports from East Germany would qualify for most-favoured-nation treatment by all Gatt members.

EC to lift quotas for E Europe

By David Buchan in Brussels

THE EUROPEAN Commission yesterday asked EC governments to remove from October most quotas on Bulgarian and Czechoslovak goods entering the Community, as part of its attempts to help eastern Europe.

At the same time, the Commission pressed for eastern European countries to be brought within Community programmes to encourage greater East-West co-operation in setting technical standards for goods being traded. EC industry ministers will consider these issues in early autumn.

The quota concessions follow last week's meeting of ministers from the Group of 24 countries, who decided to extend their aid effort – hitherto limited to Poland and Hungary – to Bulgaria, Czechoslovakia, Yugoslavia and East Germany. The EC will be looking to other G24 members, notably the US, to provide similar concessions.

Formally, yesterday's EC trade decision involves Romania, Yugoslavia and East Germany. But this last country is already effectively inside the EC customs union; very few Yugoslav goods bear any quota restrictions; and all G24 concessions for Romania remain in suspense until the western aid donors convince themselves of Bucharest's democratic credentials.

The Commission is asking the Council of Ministers to approve two things. The first is removal of quotas specifically aimed at eastern European countries and operated nationally by EC states. There are hundreds of these quotas, and they are highly questionable in the case of a country like Czechoslovakia which has maintained its Gatt membership, and will become unworkable anyway if internal frontier checks disappear inside the Community post-1992. Yesterday's decision merely speeds up the disappearance of so-called specific quotas that were due to vanish anyway by the mid-1990s under the various trade accords Brussels has negotiated with eastern European states.

The second, and more important, concession for eastern European states is the suspension until the end of 1991 of so-called non-specific quotas which affect all suppliers, not just from Comecon. The areas in which quotas would thus be suspended cover glass (of particular importance to Czechoslovakia), shoes, toys, leather, some machinery, some textile products not included in the Multi-Fibre Arrangement and some manufactured steel goods not regulated by the European Coal and Steel Community.

Farm export subsidy move alarms Danes

By Hilary Barnes in Copenhagen

DANISH farmers' leaders are alarmed about the consequences for Danish agriculture if the Uruguay Round international trade talks adopt the move agreed at the Houston summit to resolve the conflict over farm support policies by reducing export subsidies.

The proposal, by Mr Aart de Zeeuw, a Gatt negotiator, and taken up at the summit, would affect Denmark more than other EC countries since about half its agricultural exports go to non-member countries, such as the US, Japan, and the Middle East.

Denmark's Agricultural Council, an umbrella organisation for farmers' unions, has told the government the de Zeeuw proposals are "completely unacceptable". Mr H.A.O.Kjeldsen, president of the council, and other farm leaders believe that if export subsidies were cut severely, the impact on farmers would be so great that direct income support for farmers would have to be introduced, undermining the basis of the Common Agricultural Policy.

Danish farm exports in 1989 were worth DKr47.4bn (£4.3bn), including DKr5.9bn in EC export refund payments.

Although export refunds amount to only 12 per cent of the value of agricultural exports, they are much more important where third country exports are concerned, accounting for 20-34 per cent of the export value of dairy, sugar and cereal exports.

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Dat case lacks merit, says Sony

By Robert Thomson in Tokyo

SONY yesterday described as "totally without merit" a lawsuit by representatives of US songwriters and music publishers to prohibit the Japanese company from selling digital audio tape (Dat) recorders and blank cassettes in the US.

In the case before a federal court in Manhattan, the plaintiffs claim the introduction of Dat will create a "new era in unauthorised home taping of copyrighted musical compositions", but Sony said the claims challenge the established rights of consumers.

"Dat is the latest development of a product widely used in the US for more than 30 years – the home tape recorder. The long-time unchallenged sale of home taping devices supports the consumers' well-established right to private, non-commercial home recording," Sony said.

"The lawsuit seeks to hold this newest digital technology hostage and threatens to deny its benefits to American consumers."

Consumer electronics companies and the recording industry have already reached an agreement which provides for the use of a code to prevent the copying of material from one Dat tape to another, although a compact disc can still be copied on to a Dat tape.

The agreement has encouraged Japanese makers of the technology, who recently intensified their sales drive at home, as well as on foreign markets.

Sony suggested that the "American public has already shown a strong interest in Dat" and that "as the leader in digital audio technology", the company will continue to make Dat products available.

Tokyo confident yen is fully on road to recovery

By Stefan Wagstyl in Tokyo

CONFIDENCE that the yen is out of the doldrums is beginning to flow in Tokyo.

Foreign exchange traders believe the yen's move this week from above Y150 to the dollar to around Y148 could mark the end of a four-month bout of weakness which contributed to the sharp plunges in Japanese stock and bond prices earlier this year.

But opinion is divided over whether the yen's revival will now prompt rebounds in stocks and bonds. The bulls argue that the currency's recovery should persuade institutions to invest more of their funds in Japan.

The bears say the prime cause of the yen's performance has been an increase in Japanese interest rates – which will encourage investors to keep their funds in cash.

Speculation that the Bank of Japan intends to raise the Official Discount Rate has been rife in the markets for the last few days, despite denials from central bank officials that they were planning an increase. Yesterday's sharp Y1.50 rise in the yen against the dollar was attributed to a report from Smick-Medley, a US research company, that there was a "80-90 per cent chance" of the central bank raising the ODR.

Others are not so sure. Mr Noburu Yohohashi, an assistant general manager at Dai Ichi Kangyo Bank, Japan's largest, said the Bank of Japan would not have to move unless the yen fell back suddenly to Y155.

The central bank, which was widely blamed for contributing to the turmoil earlier this year by getting involved in a public argument over policy with the Ministry of Finance, has been credited in recent weeks with re-establishing its authority. "They've won back their credibility," says Mr Richard Koo, senior economist at Nomura Research Institute, an arm of Nomura Securities.

The bank's achievement has been to nudge up interest rates and bolster the yen without destabilising the stock market. By intervening modestly in the short-term money markets, it pushed the rate on three-month certificates of deposit up from 7.28 per cent at the end of May to 7.50 per cent this week. The yield on the benchmark 10-year government bond bounced back from below 7 per cent to 7.3 per cent – near its high for the year.

The Bank of Japan acted partly to ward off a threat of a resurgence in inflation and partly to boost the yen so that recent reductions in the Japanese trade surplus are not eliminated by a surge in low-cost exports.

Fortunately for the central bank, the rise in Japanese interest rates has coincided with some easing of rates in the US, so closing the gap between Japanese and US rates, which did much earlier in the year to persuade investors to dump yen. The gap between yen and dollar three-month rates in the Euromarkets has closed from 1.31 percentage points at the end of April to less than 0.7 percentage points this week.

A host of other factors have also played their part in restoring faith in the Japanese currency: the ruling Liberal Democratic Party seems more solid in its support for Mr Toshiki Kaifu, the Prime Minister, than seemed possible a few months ago; tensions have eased in US-Japan economic relations; and the economic integration of Germany appears to have caused less disruption to financial markets than was feared.

Mr Hiroaki Shukusawa, deputy general manager in the treasury department of Sumitomo Bank, says: "The yen is rebounding after being sold because of the turmoil in eastern Europe which made the dollar look good."

Kaifu: party backing

Israeli police arrest an Arab youth during clashes yesterday

Imports hit Israeli trade balance

THE DEFICIT in Israel's balance of trade grew significantly in the first half of the year compared with the same period in 1989 as a surge in imports outstripped export growth, Hugh Carnegy writes from Jerusalem.

The deficit (including diamonds, which account for a large portion of imports and exports) was up 14 per cent at $1.5bn (£830m), according to the Central Bureau of Statistics.

Exports, looked at as the main engine for a return to economic growth after two stagnant years, were up 7.6 per cent at $5.45bn. But imports, which had been suppressed during 1989, grew by 9 per cent to $6.95bn.

A sharp decrease in import growth last year led to a 15 per cent drop in the trade deficit for the whole year and helped to produce a balance of payments surplus.

Economists and officials were disappointed that there has not been a faster pick-up in economic activity in the early months of this year, but they have taken some comfort from the profile of the country's imports.

Although the latest figures show imports of consumer goods were up almost 12 per cent after a sharp fall last year, imports classified as investment goods increased nearly 16 per cent over the first half of 1989, with a particularly sharp rise in machines and equipment.

The hope is that these signal a reversal of a dismal investment trend over the past two years and are a sign that an expected upturn in economic activity, fuelled by the growing influx of Jewish immigrants from the Soviet Union, is not far off.

By the same token, however, officials are reconciled to at least a temporary deterioration in the balance of payments outlook as imports and borrowing rise to meet the needs of the newcomers.

Syria says Israel has harmed hostage effort

By Lara Marlowe in west Beirut

MR Farouk al-Sharaa, the Syrian Foreign Minister, said in Damascus yesterday that Israeli air raids on Lebanese Hizbollah bases this week had undermined efforts to secure the release of one of the western hostages in Lebanon.

"The Israeli air raids in Lebanon have complicated the issue," Mr al-Sharaa said. "In principle, we are committed to secure the release of the hostages in Lebanon... I hope that we will overcome these difficulties." Fifteen people have been killed in the latest Israeli raids.

Iran's official news agency reported last week from Beirut that a western hostage, probably a European, would be freed soon, and attention has been focused on Mr Brian Keenan, an Irish university teacher. Syria maintains 40,000 troops in Lebanon and hostages are usually escorted to Damascus upon their release.

In Beirut yesterday Sheikh Mohammed Yazbek, a religious leader of the pro-Iranian Hizbollah, reiterated earlier calls by the organisation for the liberation of all hostages in Lebanon.

While his words were not unprecedented – Lebanese Shia Moslem and Iranian leaders have repeatedly called for the release of western as well as Moslem captives held by Israel – the timing of his statement was significant.

Sheikh Yazbek was answering reporters' questions after the funeral of two Hizbollah members killed in Monday's Israeli air raid. "We ask everyone to release the hostages and all the detainees," he said. "We are against these operations and for the freedom of the people." Sheikh Yazbek is a loyal follower of the late Ayatollah Khomeini.

Since Ayatollah Khomeini's death, Hizbollah, like the Iranian leadership, have been divided on the question of freeing Western hostages. Shia Moslem Lebanese sources in Beirut say that public appeals for their freedom have been the result of pressure from Tehran rather than a deep-seated desire to end the hostage saga.

The first call for the release of the hostages was made by Hizbollah's spokesman, Sheikh Ibrahim Amin, only three weeks after Khomeini's death.

On February 21, following similar statements in Iran, Sheikh Mohammed Hussein Fadlallah, who wields much greater influence than either Sheikh Yazbek or Sheikh Amin said the kidnapping of western hostages had tarnished the image of Islam and called for a "humanitarian approach" to free them.

Yet Shia Moslem sources in Beirut say Hizbollah leaders have been angered in the past that the release of western hostages benefited Iran rather than Hizbollah. Mr Imad Mugnieh, a Hizbollah member who is believed to have planned several kidnappings, still insists that 15 Shia Moslems jailed in Kuwait – including one of his relatives – must be freed.

Sheikh Subhi Tofeili and Sheikh Fadlallah, among the most influential leaders of Hizbollah, are adamant that more than 300 Shia Moslems held by the Israelis in Khiam prison in southern Lebanon – and Hizbollah member Sheikh Abdel-Karim Obeid who was kidnapped by the Israelis in July 1989 – must also be freed.

US policy forces halt to talks on boat people

By Robin Pauley, Asia Editor

A MEETING of the international conference on Indo-Chinese boat people, scheduled to take place in Geneva next week, has been cancelled, with some South East Asian nations refusing to attend because of US opposition to forced repatriation.

The official reason for calling off the meeting, planned for next Monday and Tuesday, is that officials from two countries have problems with the dates. But the real reason is that some members of the Association of South-East Asian Nations – Malaysia, Singapore, the Philippines, Thailand, Indonesia and Brunei – have told the United Nations High Commissioner for Refugees that they will not attend unless there is a guarantee that the US will modify its position. Malaysia and Thailand are particularly unhappy.

The White House and the US State Department have made plain that they have neither hardened nor softened their policy which remains opposed to forced repatriation of the boat people.

The US also feels the pressure has lessened with the dramatic decline in the number of boat people arriving in Hong Kong from Vietnam this year.

Arrivals this year are 80 per cent down on the same period last year. Only a few thousand have so far come to the colony – and in contrast to last year's pattern they are mainly from South Vietnam – whereas 34,000 turned up during 1989.

However, more than 54,000 people are crowded into Hong Kong camps, of whom 44,000 are considered potential illegal immigrants and only 10,000 legitimate political refugees "screened in" for resettlement abroad. Altogether, more than 120,000 Vietnamese boat people are held in camps in Malaysia, Thailand, the Philippines, Indonesia and Hong Kong.

Although Hong Kong and the Asean states are countries of first asylum, their patience is expiring. Malaysia has rejected more than 5,000 boat people in the last year, pushing numerous boats back to sea, with some reported deaths as a result, and Thailand has also threatened to resume push-offs.

Indonesia says it will not refuse to accept arrivals although its position is complicated by an influx of Cambodian boat people wanting to go to Australia. To the dismay of the Australians, Indonesia is allowing those that have a means to travel onwards to head for Australia.

Since the beginning of the year more than 1,700 Cambodian boat people have washed up on Indonesian shores in addition to the usual stream of Vietnamese. If they stay, they are held at a camp at Galang which was built to hold 5,000 people but now holds more than 17,000.

There is a growing chance that delegates to Asean meetings may decide later this month to threaten jointly to end their policy of first asylum if the US does not stop blocking forced repatriation.

China and Saudi Arabia move towards diplomatic ties

CHINESE Premier Li Peng met a special envoy from Saudi Arabia on Wednesday for talks which diplomats said could lead to an announcement on establishing diplomatic ties soon, Reuter reports from Peking.

Mr Li and Prince Bandar Bin Sultan, Riyadh's ambassador to Washington, "had a friendly conversation on international issues of common concern," the official New China News Agency said without further comment.

Saudi Arabia is the last Arab state to have full diplomatic relations with nationalist Taiwan. Diplomats said it would have to break with Taipei to forge ties with communist Peking.

This would be a serious but long-expected blow to Taiwan and a diplomatic coup for China, western analysts said.

One diplomat said China and Saudi Arabia could establish relations as early as September and that a timetable would be announced at the end of Prince Bandar's visit.

But another envoy quoted Chinese officials as having said recently that the process could take up to two years.

Saudi Arabia's trade with Taiwan far exceeds its business with China, but diplomats said Riyadh was motivated by Islamic concerns to switch formal recognition to China where more than 35 million people are of the Moslem faith.

"Saudi Arabia sees itself as a protector of Moslems in China," one western diplomat commented. Prince Bandar's visit comes hard on the heels of one by Indonesian Foreign Minister Ali Alatas, who last week completed negotiations on the restoration of official ties between Jakarta and Peking.

China and Saudi Arabia already have close commercial relations. Prince Bandar has led previous delegations from the Arab kingdom to Peking.

China made a surprise announcement in March, 1988, that it had sold Saudi Arabia an unspecified number of medium-range non-nuclear missiles capable of hitting targets in Israel or deep in Iran.

The sale raised protests from the United States which saw it as further surface-to-surface missile proliferation. Diplomats believe the weapons deal was sealed by a secret visit to Peking by Prince Bandar in 1985.

The prince made an open visit to China in late 1988 and the next year the two countries exchanged trade offices.

OAU promises greater democracy

AFRICA'S leaders, buffeted by calls for change on the impoverished continent, pledged more democracy yesterday for their restless peoples, Reuter reports from Addis Ababa.

"We reiterate our commitment to democratise further our societies and consolidate democratic institutions in our countries," they said in a declaration adopted at the end of the annual Organisation of African Unity (OAU) summit.

Heads of state, prime ministers and foreign ministers also pledged to co-operate to end the numerous civil wars and conflicts between states hindering development of the continent.

"Peace and stability on our continent... will lead to reduced spending on defence and security and free extra resources for social-economic development," the declaration of the 51-member pan-African body said.

The three-day summit in the Ethiopian capital, Addis Ababa, was dominated by debate on how Africa should respond to a changing world and meet the demands of people for better lives.

The summit rejected Western pressure for East European-style reforms and stressed the right of each individual state to determine "in all sovereignty" its own democratic system. African leaders have become concerned that Western nations will tie future aid to liberal reforms.

The summit took place against a background of rioting and calls for change sweeping Africa. Delegates said there was a new realism among African leaders that things had to change.

Calling for change, Nigeria's President Ibrahim Babangida told the assembly Africa had failed to meet challenges.

"Ever since the majority of our countries became independent in the 1960s we have conducted our lives as if the world owes us a living," he told fellow leaders.

He called for a continent-wide effort to solve Africa's debt crisis, saying servicing of the estimated $250bn (£140bn) debt crippled nations with little export potential.

However, the Sudanese Foreign Minister, Mr Ali Sahloul, said the OAU had made a mistake in appearing to give in to pressure to link the issues of aid and democracy.

Algerian premier quits party politburo

By Francis Ghilès

ALGERIA'S Prime Minister Mouloud Hamrouche and four cabinet ministers have resigned from the ruling party's politburo in a reshuffle prompted by its crushing electoral defeat at the hands of the fundamentalist National Islamic Front last month.

The shake-up, announced on Tuesday night, capped a three-day meeting of the 268-member central committee.

Mr Sid Ahmed Ghozali, Minister of Foreign Affairs, and Mr Ghazi Hidouci, the Minister of Finance, are among those who announced their resignations.

Their resignations mark the first time in the history of modern Algeria when senior members of the government do not belong to the party's ruling body.

Their exit from the committee, many of whose members showed great hostility to Mr Hamrouche at the beginning of the meeting but ended up by begging him to stay and promising to lend strong support to his reform policies, will further distance the Government from the party.

Their departure may also be the first move towards the creation of a new "presidential" party whose task would be to drum up support for the reforms aimed at democratising Algeria's political institutions and liberalising the economy.

Senior army officers chose to withdraw from the central committee last year and distance themselves from a party which most Algerians hold responsible for the difficulties facing North Africa's largest country.

Zambia to request debt relief

By Mike Hall in Lusaka

THE ZAMBIAN government, shaken by recent food riots and pro-democracy protests, is to ask official creditors in Paris today to ease its more than $7bn (£3.9bn) debt burden, one of the heaviest in the world.

The meeting will enable Zambia to gauge donor countries' reactions to last month's unprecedented violence, followed by a coup attempt, after the partial withdrawal of subsidies on maize meal – the staple food – as part of the government's economic reforms.

Since the protests, in which at least 26 people were killed, politicians have continued to emphasise commitment to a tough recovery programme launched last year with the blessings of the International Monetary Fund, the World Bank and other major donors.

In April, bilateral donors pledged $450m for the first year of the plan but made disbursement of most of this aid conditional on a successful conclusion to today's Paris Club talks. Zambia has a per capita debt equivalent to about four times average income per person. Official debt arrears total some $3.8bn, about a third of which is owed to the IMF and World Bank. The government says it needs a quick agreement with creditors to continue with tight fiscal policies toreduce inflation.

A frail Mandela arrives in Kenya

By Julian Ozanne in Nairobi

NELSON MANDELA, the black South African nationalist leader, arrived in Nairobi yesterday one day ahead of schedule amid reports that he was unwell.

Western diplomats said Mr Mandela had been whisked to the Nairobi hospital for treatment for pneumonia.

But hospital sources denied he was there and a spokesman at State House said he was resting with a bad cold.

But according to the Star newspaper in Johannesburg yesterday, which has a reporter travelling with Mr Mandela, the 71-year-old deputy president of the African National Congress has been diagnosed as suffering from slight pneumonia.

Mr Mandela flew into the Kenyan capital to a low key reception in the wake of four days of anti-government rioting which erupted after a pro-democracy demonstration turned violent.

Minor clashes were reported yesterday as the government officially announced a death toll of 20, with 73 seriously injured from the widespread disturbances.

More than 1,000 people have been charged by police with looting and rioting.

Mr Mandela, travelling with his wife, Winnie, was greeted at the airport by President Daniel arap Moi and members of his cabinet.

He flew in a day early from Ethiopia where he had been attending the Organisation of African Unity summit and government officials said he was on a "private visit" before his official tour starts today.

Mr Mandela was to have addressed a rally on Friday but according to one diplomat that engagement is now in doubt. It is believed that even if his health shows some signs of improving, the Kenyan government, faced with the most serious popular challenge to its one-party rule by the recent rioting, may be wary of allowing Mr Mandela to speak at a mass rally.

Nelson Mandela, left, and his wife Winnie being greeted at Nairobi airport yesterday by Kenya's President Daniel arap Moi

Hong Kong to soften force of law

HONG KONG yesterday took the first hesitant step to liberalise its strict colonial-based legal system, John Elliott writes from Hong Kong. The Legislative Council voted overwhelmingly to remove criminal penalties for homosexual acts in private between consenting adults.

Legislation will now be introduced to implement this decision, which will bring Hong Kong into line with most of Asia, including China, despite strong opposition to the reform from a wide segment of local ethnic Chinese opinion. At present the maximum (but never administered) penalty for consenting adults is life imprisonment.

The aim of this and other planned reforms is to ease the way for a Bill of Rights, which includes rights to privacy, and is expected to be enacted by the end of this year.

The Government also wants to remove from the statute book some draconian laws which could be misused by a hardline Peking regime after China regains sovereignty over the colony in 1997.

While the bill will not have legal precedent over Chinese laws, it is nevertheless seen as important for confidence in the colony.

A bill banning judicial corporal punishment was published yesterday. It appears, however, that the Government will bow to public pressure and maintain the death penalty – even though no-one has been executed since 1966.

Fierce competition causes India's press barons to see pink

K.K. Sharma reports on how newspapers have reacted to the surge in demand for financial and business coverage

WHEN the Economic Times, the largest circulating financial daily in India started printing on pink paper last week, editors of the country's economic journals must have begun to roll up their shirt sleeves.

The signal was clear – competition among the financial press was intensifying and is certain to become fiercer. The main reason is the rapid growth of India's investing population. Its growing interest in corporate affairs has opened up possibilities of dramatic increases in circulation and revenues.

Mr T.N. Ninan, the highly respected editor of the Economic Times, which is part of the large Bennet Coleman publishing group, says the decision to go pink was taken six months ago "because it gives the paper a distinctive look." But its potential rival has cried foul.

A representative of the Business and Financial Observer, a Bombay- and Delhi-based daily which is to be launched by the Ambani family, has protested that it plans to start printing on pink paper – possibly next month – after a dummy run that has lasted almost a year. "The Economic Times is trying to pre-empt us in every way," he wails.

The Economic Times, which increasingly looks like the Financial Times – Mr Ninan candidly admits "a rub-off from the FT" – both in appearance and content, wants to be a complete business paper, very much the aim of the Observer as well.

Although it still needs to be considerably improved both in its news coverage and feature presentation, the Economic Times is well ahead of its rivals. It has a national circulation of 120,000, has almost doubled in size to 16 pages and has recently added specialist feature coverage on subjects like investment, management, computers, science and technology and the arts. "We aim at being a quality newspaper, providing everything that a reader needs," says Mr Ninan.

Pending the launch of the Observer, the Economic Times must contend with only two competitors. Mr Ramnath Goenka's Financial Express, with a circulation of 48,000, publishes from Bombay, Madras, Delhi and Bangalore. It has just appointed an eminent economist, Mr A.M. Khusro, as its editor to pep up its coverage.

The Ananda Bazar Patrika's Business Standard, (circulation 20,000 and published from Calcutta) also plans changes in its news and feature coverage to match its rivals but it suffers from the lack of a full-time editor.

Although India's financial dailies have been publishing for the last three decades, changes in their coverage and make-up have been relatively recent and stem from increased public demand for business news. Millions of Indian investors keenly scan pronouncements on economic policies, performance reports on companies and trends in the stock markets.

Although new equity issues by companies have slackened in the last few months, the boom in India's capital markets continues. Funds raised by companies rose from a nominal Rs1.64bn in 1980 to Rs60bn (£1.9bn) in 1989, an amount that is almost equal to the total loans given to companies by public financial institutions, their traditional source for capital.

This year's figure could be as high as Rs100bn. Official estimates are that 7 per cent of private savings have moved into the capital markets (compared to 12 per cent in Japan), part of the growing spending power of India's large and growing middle class.

The emergence of mergers and takeovers and the growing interest in business careers has also expanded the subscriber base for financial journalism.

No longer are readers content with the traditional coverage of the government's policies and activities which still dominates the Indian press. They also want news and analysis about companies, written expertly and simply by knowledgeable journalists.

This was, in fact, first provided by fortnightly and weekly magazines which have spearheaded the publishing boom in Indian journalism for the past decade. Mr Aroon Purie, editor of the highly successful India Today fortnightly which was the first to provide its readers with a specialised, well-researched and easy-to-read business section, says: "We send our reporters to talk to businessmen to find out what they are thinking and doing."

A survey by the fortnightly showed that a third of its estimated 10m readers regularly read the business section, many of them before they tackle other parts of the magazine. No wonder other publications have followed suit.

All magazines and, more recently, dailies have economic and business sections devoted to corporate news and not just the traditional market quotations.

Specialist magazines for executives – particularly Business India published from Bombay and Business World from Calcutta – have quickly grown in size because of the wider coverage of corporate and management news as well as an abundance of advertising. The emergence of other specialist publications on investments, the advertising industry and management have added to India's boom in economic journalism.

INTERNATIONAL NEWS

India beginning to convert slowly to green

Gita Piramel in Bombay reports on the growing influence of the environmentalists

The decision in June by the Indian Government to sign the Montreal accord limiting the use of CFCs, was a mark of the growing strength of the environmental lobby in India, a movement that until recently had made little political impact. At last year's conference, the Indians, together with the Chinese, had refused to sign the protocol on the grounds that the economic price would be too high. Increased western aid headed the shopping list of both countries.

However, at the London conference in June, India scaled down its demands – amounting to some $240m in additional environmental aid – accepting a figure of $40m instead. India also secured the transfer of alternative technology to assist it in transforming its economy. The Indian cabinet has yet to approve the signing of the accord but is expected to do do later this month.

With China and India covering some 40 per cent of the world's population, their signatures were a victory for the environmental movement. It was also a personal victory for Mrs Manekha Gandhi, Minister of State for Environment and Forests, and a catalyst for the "greening" of corporate India.

Mrs Gandhi has also called a national conference of various government authorities, CFC users and manufacturers about how to induct new technology and phase out old technology.

When the National Front came to power in November, she was the only party member who wanted this portfolio. Since her appointment, she has given new teeth to the ministry through sheer enthusiasm. Existing state pollution control boards which had long been dormant were shaken into action. Companies applying to the environment ministry for no objection certificates for their modernisation, expansion and diversification plans began to face more rigorous screening than ever before.

An indefatigable workaholic, Mrs Gandhi criss-crossed the country, visiting scores of factories – and publicly berating erring managements.

Inevitably, her enthusiasm triggered hostility. Under pressure, on June 1, the National Front administration clipped her wings by limiting her powers to the Delhi Zoo. Popular dismay led to the ban being reversed at the end of June.

With few legal restrictions to bind them, Indian companies, both in the public as well as the private sector, have had little compulsion to monitor the ecological impact of their industrial activities.

Of course there are some exceptions. "The moment we stop worrying about energy, environment and equity, we will destroy ourselves," says Mr Darbari Seth, chairman of Tata Chemicals, India's largest producer of soda ash.

One of the few Indian businessmen to translate concern into deed, Mr Seth has conducted several ambitious experiments in the recycling of water and in alternative sources of energy – with con-

Maneka Gandhi: catalyst

siderable success.

At Tata Chemical's highly profitable plant near Mithapur (in the state of Gujarat), the solar energy used to convert brine into salt is estimated to be the equivalent of 11m tonnes of coal annually. The largest inorganic chemical complex in Asia, the plant

> An indefatigable workaholic, Mrs Gandhi criss-crossed the country, visiting scores of factories – and publicly berating erring managements. But inevitably, her enthusiasm triggered hostility.

requires 14m gallons of water daily but has completely eliminated its dependence on groundwater sources.

Such companies are rare, but over the past few months, several have begun to display environmental concern, perhaps more out of compulsion than inclination. The pressure to make some sort of "green" commitment is partly a reaction to numerous, but isolated, groups of environmentalists who are becoming increasingly vociferous.

Last month, in order to forestall agitation by green groups, the Thapars, India's largest conglemerates, called a press conference in Bombay to explain the environmental safety measures incorporated in a Rs1.8bn ($104m) proposal to manufacture nylon tyre cord at Kerim in the state of Goa.

Since the powerful polyester cartel had succeeded in stalling the controversial joint venture with the US's E.I. Du Pont De Nemours for over three years, clearly the Thapars do not want environmentalists to sow discord in the tyre cord project now that it has been cleared by the monopolies and restrictive trade practices commission.

Similarly, National Organic Chemical Industries Ltd (Nocil) is interacting with prominent environmentalists to ensure that its Rs20bn project to modernise and expand its existing petrochemical complex at Thane, barely 30km away from Bombay with its 9m inhabitants, will be "not just safe but safer than the old plant," according to Mr Arvind Mafatlal, Nocil's chairman.

Another sign of the times is the growing number of protests by environmentalists who are now increasing in strength and, it seems, starting to win battles. Navin Fluorine Industries, a small CFC manufacturer in Bombay was recently asked by the Iraqi Government to set up $14m CFC plant in Iraq. Following an initial report, isolated local green groups protested and sent delegations to the Iraqi Government and to the factory. The scheme has now been abandoned.

Until now, Green groups have not had the strength to attack government projects but increasingly there is a willingness to work together to protest against environmentally dangerous projects.

Many have joined forces recently to protest against government proposals for massive dam projects, in Narmada on Deccan Plateau in Central India and Tehri in the foothills of the Himalayas. If the proposals go ahead millions of people will have to be relocated.

Mrs Gandhi has made a point of publicly endorsing the protests against the dam. However, given that power shortages are increasing, it is unlikely that the Greens will be able to convince the Government to abandon both projects.

For many in the Indian Green lobby the dye has been cast, the Bhopal disaster in 1985 providing a catalyst for the movement. Fourteen months after Bhopal, New Delhi enacted the Environment Protection Act, which environmentalists see as the beginning of their growing political influence.

Farm trade forces summiteers to speak the same language

By Peter Norman in Houston

A YEAR ago, President Mikhail Gorbachev of the Soviet Union expressed an interest in participating in the world economic summit.

This year, if he has had time to peer across the Atlantic from the Soviet Communist Party Congress in Moscow, he could be forgiven for wondering why, given that much of the three days of discussions in Houston among the leaders from the US, Japan, West Germany, France, Britain, Italy, Canada and the European Commission, has been devoted to the seemingly abstruse and highly technical world of agricultural trade.

However, in many respects this year's talks on agriculture have shown the summit process at its best. Yesterday's agreement, announced after officials had worked through the night, should unblock the stalled negotiations on cutting farm support and prevent a collapse of the Uruguay Round of trade liberalisation talks.

The discussions have followed a familiar pattern for summit watchers. They began with gladiatorial posturing on the part of the two main protagonists. As President George Bush, the summit host, was giving his fellow leaders the red carpet treatment on Monday, his trade ministers and senior EC officials were indulging in a public slanging match about each other's farm policies.

No sooner had the war of words died down than there were hints of compromise in the air. President Bush and West German Chancellor Helmut Kohl met and agreed that there was a basis for hope of a settlement in a highly technical paper produced by a hitherto obscure Dutch official.

This act of statesmanship has won at least a footnote in history for Mr Aart de Zeeuw, the chairman of the agricultural negotiating group in the Uruguay Round of trade liberalisation talks in Geneva.

From there the way was clear for British officials to dream up appropriate "language" intended to reconcile the US and EC positions. The final summit touch was for a group of national champions – officials christened "sous-sherpas" for the occasion – to be put to work overnight to mangle the language into a form of words acceptable to all.

But in Houston this arcane process has for once generated more light than heat. A lot had come to hinge on lifting the deadlock from the farm trade talks in Geneva.

At the beginning of the week in Houston the US plans to reform trade in agriculture had three main seemingly non-negotiable elements.

- To increase the access of efficient farm producers to industrial country markets, nations would convert all non-tariff barriers to agricultural trade to equivalent tariffs through a process known as tariffication. Tariffs would then be reduced substantially over a 10-year period.
- Countries would phase out export subsidies over five years.
- They would also phase out trade distorting measures of internal farm support.

For its part, the EC refused to discuss these issues separately. It advocated reducing support and protection over a five-year period but by using a support measurement unit that would allow it to maintain specific types of subsidy. In that way, for example, West Germany could keep internal support measures for its farmers and France could continue to subsidise the export of its agricultural producers.

The language agreed yesterday blends the US and EC approaches. It calls on all summit countries to make "substantial and progressive reductions in support and protection" of agriculture. It specifically refers to "internal regimes, market access and export subsidies." It calls for a common unit of measurement to be used in determining how to cut internal support, export subsidies and import protection.

Yesterday's conclusions should not only pave the way for negotiations on reducing the $245bn annual cost to consumers and taxpayers of farm support, it should also give an impetus to the entire Uruguay Round. At stake are moves to liberalise trade in services and textiles and establish rules to stop countries restricting trade-related investment and protect and enforce intellectual property rights. According to Mrs Carla Hills, the US Trade Representative, such reforms would remove the law of the jungle from annual global trade worth $3,000bnand pave the way for more economic growth and prosperity.

But securing this prize has involved potentially painful political concessions in Houston that could haunt the summiteers if the negotiations in Geneva become snagged again.

In a sense, it was natural that Mr Kohl should start the process of compromise. Although he faces elections in West Germany in December, just as the Round is due to finish and in which the Bavarian farming vote could play a key rola, he owes President Bush a great deal for his support over the unification of Germany.

President Bush may suffer some criticism at home because the US negotiating position contained many uncompromising elements such as the determination to phase out export subsidies. On the other hand, the US has secured specific reference to the need to cut export subsidies – a route which the EC had tried to block.

President François Mitterrand of France's acceptance of the deal is the most puzzling because it could damage the export sales of large French farms which profit from export subsidies.

For Mrs Thatcher, the UK Prime Minister, the compromise realizes the prospect of reducing the cost of farm subsidies for Britain, which has been a long-term goal of the Government. She can also revel in the extra kudos of having presented a UK compromise draft to the meeting.

European Commission grows in stature

By Peter Norman in Houston

MRS Margaret Thatcher, the British Prine Minister, may not think much of the European super state, but the US organisers of this week's Houston economic summit – and many journalists and hangers-on - behaved as if it had already arrived.

As a focus for media attention the briefing rooms of the EC Commission were second only to those of the US Government.

While this undoubtedly reflected the importance of agricultural trade – an EC responsibility – as the main bone of contention in the talks, it also illustrated the increasingly important role the European Community and Commission have adopted in world affairs.

On the first day of talks EC officials bridled at the verbal onslaught delivered by Mr Clayton Yeutter, US Agriculture Secretary, and Mrs Carla Hills, the Trade Representative, against the Commission's negotiating stance on farm issues.

But Mr Jacques Delors, the Commission president, saw it differently.

According to close associates, his view of the Houston summit was that both the US and Japan had "rediscovered" the European Community. For him, the EC – and by implication the Commission – was taking its place in the world as a "colossus" next to Japan and the US.

Mr Delors' sense of well-being in Houston was a far cry from the early EC representation at world economic summits.

The Commission, in the form of its then president Mr Roy Jenkins, was grudgingly admitted to the 1977 London summit, the third in the series.

Photographs of those early meetings show Mr Jenkins – now Lord Jenkins of Hillhead – sandwiched uncomfortably between national delegations at the summit table.

Since those days summiteers have seen "Eurosclerosis" come and go and the Commission's role in world affairs grow. Its position as the EC's trade negotiator was highlighted in this week's talks.

Since last year's Paris summit it has been mandated to co-ordinate the aid of Western industrial countries to eastern Europe, starting with Poland and Hungary.

The EC's 1992 programme had already greatly increased its power and influence, and the Commission has used skilfully the move towards economic and monetary union in Europe to add to these.

However, this week has also served as a reminder to Commission officials that their employer still lags behind the summit states in terms of status.

The decision on Tuesday to establish a second study of whether and how the west should provide economic aid to the Soviet Union, under the wing of the International Monetary Fund and the World Bank, showed that national governments which have helped enhance the Commission's status in recent years can still limit its role.

Study will establish criteria for western assistance

G7 compromises over Soviet aid

By Peter Riddell, US Editor, in Houston

A YEAR ago it would have been inconceivable, six months ago improbable; indeed, it was only a few weeks ago that "sherpas" preparing the summit agenda began to consider aid to the Soviet Union.

The statement on aid in yesterday's communiqué is naturally a compromise between the German and French desire to provide immediate direct cash assistance and the reluctance of the US, Japan and Britain to do so now.

The decision to set up a six-month study will be seen as a convenient deferral of difficult decisions. But the issue is on the agenda and the west is now committed to assisting Soviet economic reform.

The communiqué talks of all countries – "individually and collectively" – assisting Soviet reform efforts and providing technical assistance for a move to a market-oriented economy.

Then it talks of "some" countries being "already in a position to extend large-scale financial credits."

While not yet laying down specific criteria for the collective assistance, the communiqué reflects US concern in stressing the need for "more radical steps" linked to a substantial shift of Soviet resources away from the defence sector and lower spending on programmes which aggravate regional conflicts, a reference to Cuba.

There was lengthy debate at the summit about the scope of the new study. The US, Canada and Japan had pressed for a study separate from the recently initiated European Commission inquiry, which is due to be completed by year-end. They also wanted a more detached economic analysis.

The French and Germans, however, were suspicious of an open-ended inquiry which might defer decisions indefinitely.

The result is a study without commitments which is intended to complete its work by the end of this year. The International Monetary Fund will convene the group, which will also include as equal partners the World Bank, the 24-nation Organisation for Economic Co-operation and Development and Mr Jacques Attali, the president-designate of the new European Bank for Reconstruction and Development.

The work will be undertaken in close consultation with the European Community and will involve a detailed study of the Soviet economy, including recommendations for its reform.

The study will also establish criteria under which western economic assistance could effectively support these reforms.

This formula enables both sides to claim progress. Mr Nicholas Brady, the US Treasury Secretary, has stressed that no commitments have been made.

In the characteristic language of the former investment banker, Mr Brady said: "When I was in the private sector some guy came in and said we need a lot of money, we're not doing so well. That goes nowhere. I mean, people get specific about how much money is needed, when it's needed; that's what we're asking for."

The attraction of involving the IMF is that all the summit's participants are members. Mr Brady pointed out that it was not going to be a typical IMF study – whereby a nation dealing with the Fund agrees to a programme, with money following. He said in this case it was simply taking advantage of the know-how in the IMF.

For Mr Mikhail Gorbachev, the Soviet leader, the outcome is as much as he could reasonably have expected.

The Soviet Union will continue to receive direct support from Germany and perhaps also from France and Italy. It will also be given technical assistance from all the Group of Seven countries.

THE West German Economics Ministry said yesterday that Bonn was ready to help the Soviet Union improve exploitation of its oil and gas resources, which could lead to higher Soviet energy exports to Germany, David Marsh writes from Bonn.

A spokesman clarified comments made in Houston by Mr Helmut Haussmann, the Bonn Economics Minister, who was reported to have said that Germany could buy more Soviet oil and gas to improve Moscow's foreign exchange position.

Mr Haussmann was emphasising technological and management support to help the Soviet Union overcome problems in its energy industry, the spokesman said. The minister's comments had been carried on news agency wires in "somewhat simplified" form, he added.

Point of order: G7 leaders share a lighter moment during the Houston summit

Commitment to Third World

THE WEST'S efforts to foster democratic reforms in eastern Europe would not weaken its commitment to the Third World's economic development, the G7 leaders leaders said yesterday, AP reports from Houston.

In their joint statement at the close of their annual economic summit, the leaders underscored the importance of promoting economic prosperity in the Third World.

"We reiterate that our commitment to the developing world will not be weakened by the support for reforming countries in central and eastern Europe," the statement said.

"The poorest of the developing nations must remain the focus of special attention."

The summit produced no new initiatives for Third World economic development or for relief of the countries' foreign debt burdens.

President François Mitterrand of France presented a plan for reducing the government-to-government debt of middle-income countries, and the leaders promised to study the proposal after Japan raised objections. The plan would benefit African countries most.

The summit communiqué said an increasing number of poorer countries were accepting the western view that economic growth could be encouraged by measures to increase business competition, permit more imports and reduce government subsidies.

They also said, however, that the west could make important contributions.

"By sustaining economic growth and price stability we can offer stable, growing markets and sources of capital for the developing world," the communiqué said.

Moscow to streamline economic reforms

By Quentin Peel in Moscow

A TOP-LEVEL team of Soviet economists is being set up within the office of President Mikhail Gorbachev to funnel into a single programme all plans for economic reform. This would then be the basis for large-scale international assistance.

The team's immediate aim is to produce by September a coherent programme, involving both government plans and those of reformist economists. Presidential advisers are adamant the programme must be in place before loans are sought from the international community.

At the same time they believe that hard currency loans of between Rb10bn and Rb15bn (between £10bn and £15bn) could be invested in promoting small enterprises, joint stock companies and specific sectors like chemicals, currently operating below capacity because of an imported input short-fall.

Mr Anatoly Milyukov, who will head the socio-economic department in the President's office, said in an interview that the current confusion of reform plans from the Government, presidential advisers and dissident academics would be channelled into a single co-ordinated plan.

However, he argued strongly against any immediate move to borrow money to put consumer goods in the shops, aimed at heading off growing discontent with President Gorbachev and his plan to switch to a market economy.

He said that spending Rb2bn in hard currency could put goods worth Rb20bn in soft roubles in Soviet shops. Although this would make a significant difference to Soviet consumers it would be irresponsible to take such action before a concrete economic programme was in place.

Mr Milyukov, who works closely with Professor Nikolai Petrakov, the President's personal economic adviser, admitted the government reform programme was still only "a global programme." It was also based on inadequate calculations and models.

"We don't have any concrete plans. We need a calculated programme spelling out month by month what measures will give and what contradictions will arise."

He spelt out five key areas to be covered in the comprehensive programme:

- stopping the growth of excess money supply, by linking wages to productivity, and promoting competition;
- introducing drastic savings in an emergency budget, cutting government investments and reducing the budget deficit, as well as promoting energy saving;
- developing initiative, through the promotion of small enterprises, shareholding, co-operatives and the abolition of centralised industrial ministries;
- creating new markets, including a property market through the sale of flats, small shops, enterprises and land;
- reform of the money and banking system, including an acceleration of moves to a convertible currency, and allowing Soviet enterprises to buy foreign exchange at a market rate.

Mr Milyukov hoped that with a single programme submitted in the autumn, as the Supreme Soviet has demanded of the Government, the measures could be in effect from January 1, 1991. "Then we can look at the second phase, to buy goods for the market."

Progressive cuts in agriculture support

The following text is the section of the Houston Summit's final communiqué relating to reduction of agricultural support.

The achievement of this objective requires each of us to make substantial, progressive reductions in support and protection of agriculture, covering internal regimes, market access and export subsidies – and develop rules governing sanitary and phytosanitary measures.

Variations among countries in the mechanisms of agricultural support reflect differences in the social and economic conditions of farming.

The negotiations on agriculture should, therefore, be conducted in a framework that includes a common instrument of measurement, provides for commitments to be made in an equitable way among all countries, and takes into account concerns about food security.

The framework should contain specific assurances that, by appropriate use of the common measure as well as other ways, participants would reduce not only internal support but also export subsidy and import protection in a related way.

Agreement on such a framework by the time of the July meeting of the TNC (Trade Negotiating Committee) is critical to the successful completion of the Uruguay Round as a whole.

Accordingly, we commend to our negotiators the text submitted by the chairman of the agricultural negotiating group as a means to intensify the negotiation.

We intend to maintain a high level of personal involvement and to exercise the political leadership necessary to ensure the successful outcome of these negotiations.

Neil Bush may face $200m suit over S&L

By Lionel Barber in Washington

US FEDERAL regulators are considering filing a $200m law suit against Mr Neil Bush, son of the president, and other directors of the failed Silverado savings and loan institution in Denver.

The civil suit would aim to recover some of the $1bn in losses from speculative lending at Silverado. It is one of several dozen under review against officers and directors of 1,300 such failed thrifts across the US.

The delicate decision on whether to approve legal action against Mr Bush jr. rests with Mr William Seidman, Federal Deposit Insurance Corporation chairman, whose relations with the White House are strained at best.

A tough, independent-minded regulator, Mr Seidman angered senior administration officials by speaking out early and often about the true cost of the S&L crisis, expected to amount to $200bn over the next 10 years.

This year, the White House tried to force him to resign, but the campaign drew protests in Congress. The FDIC chairman made clear he would remain in his post until later this year. His term is to expire in September; the president has no power to remove him.

The case against Mr Neil Bush has been simmering for several months. News of the possible civil suit leaked out this week, a day after Mr Bush broke his self-imposed silence and complained he was a victim of partisan politics in a Congressional election year.

The Office of Thrift Supervision (the S&L regulator) released documents which accused Mr Bush of "one of the worst kinds" of conflict of interest when he was a Silverado director.

The charges focus on Mr Bush's business links with Denver developers, several of whom were big borrowers from Silverado. Mr Bush abstained from voting on some of the loan requests but he failed on other occasions to divulge his own interest in some of the borrowers' ventures, several of which ended in failure.

This year, the president's son had rebuffed regulators' efforts to bar him from the banking industry. Instead, they issued a milder "cease and desist" rebuke.

The controversy over Mr Bush's role at Silverado has been fanned by four public hearings of the House Banking committee, and a new interest by Democrats in exploiting the S&L crisis at the president's political expense.

Opinion polls suggest this is working. According to a Gallup survey, 58 per cent of people disapprove of the president's handling of the S&Ls, and 64 per cent disapprove of his handling of the federal deficit. The poll also shows Mr George Bush's approval rating has slipped to 63 per cent – his lowest since May 1989.

Latin American funds transfers to developed world creditors fall

LATIN AMERICAN and Caribbean countries transferred $15bn to creditors in the developed countries last year – a small drop from $16bn in 1988 – according to figures yesterday from the Organisation for Economic Co-operation and Development, writes Stephen Fidler, Euromarkets Correspondent.

The OECD's survey (Financing and External Debt of Developing Countries) says higher interest rates would have increased transfers by more if developing countries had not built up interest arrears to banks.

"Short of a marked fall in international interest rates or significant debt (service) reduction, and a vigorous recovery in confidence and investment in the problem countries, the underlying trend is for persistently high and even growing net financial transfers," the survey says.

Even so, total net financial flows to all developing countries – which exclude their interest payments – increased modestly last year to $109bn from $104.3bn. Within this, total flows to the poorer developing countries fell slightly, mainly because of a suspension of loan disbursements to China. Bank lending rose as debtor countries accumulated arrears, while net credits from the International Monetary Fund remained negative to the tune of $3.2bn, compared with $4.0bn in 1988.

Interest payments made by developing countries rose to $107.7bn from $97.9bn. This compares with $79.0bn in 1987.

The OECD says these figures reflect, among other things, two features: the highly differentiated financial performance among developing countries (with the dynamic economies of Asia becoming generally self-sufficient in capital), and the fact that, as a whole, the developing world is roughly in current account balance.

On the debt crisis, the OECD points to "emerging tensions which are likely to influence the agenda for discussion in the period ahead." These include the lack of new lending from international banks, worries that the Brady initiative by the US to reduce bank debt burdens is generating a loss of discipline in the financial system, and the question of whether government lenders should accept debt relief on their trade credits to developing countries.

For some of the poorest countries, the survey says western governments should consider providing deeper debt relief than currently provided under the Toronto terms.

Mexican inflation surges

By Richard Johns in Mexico City

MEXICO'S accumulated rate of inflation reached 15.2 per cent in the first half of 1990, little short of the 15.7 per cent projected for the full year, according to the Bank of Mexico.

This raises doubts about the economic stabilisation programme and growing concern about the future effectiveness of the wage and price restraining Pact for Economic Solidarity and Growth (PECE) between the government, the private sector and the labour movement.

Prices rose by 2.2 per cent in June over those of the previous month, with the final rate for 1990 expected to be more than 25 per cent, compared with 20.9 per cent in 1989.

Inflation is running at an annualised 26.1 per cent, according to the official consumer price index (CPI), which is generally reckoned to understate the increase.

At the end of May, the government reached agreement for a six-month extension of the pact from July 31 to the end of January 1991, but no increase in the minimum daily wage was included.

Collor likely to veto big pay rise bill

By Christina Lamb in Rio de Janeiro

PRESIDENT Fernando Collor of Brazil is expected to veto a bill passed by the Senate to link wage rises to inflation. Senate approval late on Tuesday, which could mean pay rises of 166 per cent for many workers, was seen as a heavy defeat for the government.

The bill – which will become law in 15 days if there is no presidential veto - provides for monthly adjustments for those on low wages and three-monthly adjustments for those on higher pay. The government believes this would ensure the return of hyper-inflation, destroying efforts for economic stabilisation.

Mr Collor is now expected to suggest the introduction of a "bonus system" – far short of full indexation – whenever inflation goes above 5 per cent a month.

During his first month in office, from mid-March, the president brought inflation down from 80 per cent a month to 3 per cent, although it is now at a monthly 12 per cent.

Drug baron 'surrounded'

THOUSANDS of Colombian police and troops have surrounded fugitive drug trader Pablo Escobar in a remote area of central Colombia and his capture may be imminent, police sources and press reports said yesterday, Reuter writes from Bogotá.

Escobar, one of the richest men in the world and a main figure in the Medellín cocaine cartel, escaped a police swoop which netted 11 of his closest aides at Doradal, 100 km east of Medellín, police had said on Tuesday. He is believed to be trapped in a circle of police and soldiers.

A police source said a huge operation, involving 3,000 police and soldiers, was continuing. He added there was a strong chance Escobar would be caught.

The newspaper El Tiempo said Escobar and 15 bodyguards were heading west for the San Francisco river in an attempt to break out of the police blockade. He knows this jungle area well.

Chairman of British Overseas Trade Board says returns on investment may take up to 15 years

Caution urged over UK exports to eastern Europe

By Peter Montagnon, World Trade Editor

BRITISH EXPORTERS should be careful about rushing in to eastern Europe as it may take between ten and 15 years before investments there produce a return, Sir James Cleminson, Chairman of the British Overseas Trade Board said yesterday.

In press conference remarks he said exports to eastern Europe represented only a tiny overall proportion of Britain's total exports.

Despite a flurry of payments about the time of last month's UK trade fair in Kiev, trade with the Soviet Union was still seriously affected by arrears.

"The Russian business economy is in an appalling mess. The biggest opportunities for exporters, we think, are in Hungary, Czechoslovakia and East Germany."

Even so, it would take a long time before export effort produced a return, except for some companies in niche sectors whose products are in demand. British companies with subsidiaries in West Germany could also use West German subsidies to help them attack the East German market.

"The best short-term prospects are likely to result from multilateral funding – for example, European Community assistance or World Bank loans – or export-orientated projects such as agriculture and food processing, hotels and tourism, where new investment and Western expertise could increase foreign currency earnings fairly quickly," the BOTB annual report published yesterday, said.

Exports to the Soviet Union *increased by 33 per cent to* £882m last year and there was an even sharper increase in the first quarter. More recently economic and political uncertainty and "the chronic shortage of hard currency" has restricted Western imports.

Sir James, noted with satisfaction the 15 per cent increase in UK non-oil exports last year, but he also spoke of "deep concern" among major exporters at the prospect of new Export Credit Guarantee Department *moves to increase premiums* for medium term export cover and reduce country limits for cover.

Plans by ECGD to introduce such changes in an effort to reduce its losses are currently under review by the government.

FT CONFERENCE

Businessmen voice concern over cost of EC telephone calls

THE COST of calling from one European Community country to another was highlighted by the European Commission on the first day of the FT conference on telecommunications and the European business market yesterday.

Dr Herbert Ungerer, a senior official in the Commission's *Information Technology* Directorate, said: "Intra-European telephone tariffs are still on average 2.5 times more expensive than the highest national long distance calls."

The concerns of European businesses were set out by Mr Rene Kinsoen, chairman of the European Council of Telecommunications Users Associations, who called for a pan-European telecommunications infrastructure. "It must be coherent, well managed, with reasonable cost base tariffs, and it should incorporate new technologies as they become cost effective."

Mr Kinsoen argued that liberalisation alone would not be enough if Europe was to harvest the full potential of information technology. "Equally important is the removal of the usage constraints that today are imposed by telecommunications administrations."

Mr Alan Horne, managing director of Interconnect Communications, a UK consultancy, called for the creation of a democratic structure for developing a pan-European telecommunications strategy in which fully involved users.

Mr Jean-Baptiste Main de Boissiere, head of international regulation at the French Ministry of Post and Telecommunications, set out the French view *that the industry* should be run as an intelligent monopoly with competition in specific segments of the market.

Mr John Leighfield, executive *chairman of AT&T Istel*, argued that success in the fast-growing value-added network services market would be achieved by companies which developed applications for specific industries rather than those which developed generic applications for the whole of the economy.

Mr Lee Tate, managing *director of International* Network Services, said that 2,000 British companies were now using his organisation's electronic data interchange (EDI) service, which allows businesses to exchange orders and invoices electronically.

Mr Geoffrey Vincent, a senior consultant at PA Consulting Group, set out the *advantages for businesses* in moving towards a "cordless office" where communications cables were replaced with radio links.

Mr Peter Carpenter, finance director of Mercury Personal Communications, and Mr Bernard Smedley, senior vice-president of Motorola's radio telephone systems group, also spoke about the potential of mobile communications in the office. Mr Peter Conchie, business development director of British Aerospace Space Systems, set out the advantages of satellite communications.

Government says ANC agrees in principle to lifting S African trade ban

London claims accord on sanctions

By John Mason

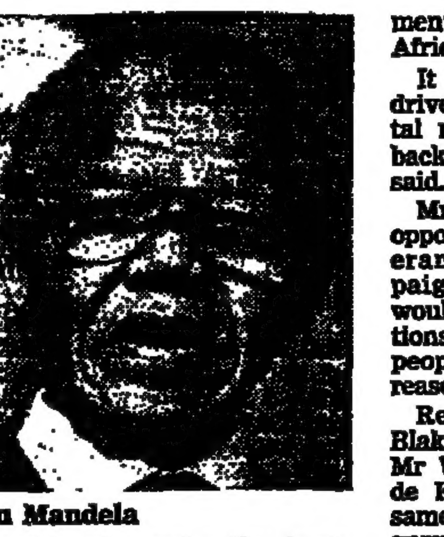
DIFFERENCES between the British Government and the African National Congress over lifting sanctions against South Africa are now matters of timing, not principle, Mr William Waldegrave, a Foreign Office Minister of State, insisted yesterday.

During questions in the House of Commons, he strongly defended Britain's stance of lifting sanctions to encourage further reforms and warned that damaging the South African economy would only undermine the current peace negotiations.

Mr Waldegrave described last week's meetings between the British government and Mr Nelson Mandela, the deputy President of the ANC, as friendly and positive.

Mr Mandela was not making sanctions a central issue of principle, said Mr Waldegrave, the argument was just one about timing, he told MPs.

However Mr Gerald Kaufman, the opposition spokesman on foreign affairs, said Mr Mandela was still adamant in his insistence that sanctions should remain. The ANC leader had made this plain at a lunch with Mr Kaufman and Mr Waldegrave, he said.

William Waldegrave and Nelson Mandela

Mr Waldegrave said that damaging the South African economy through sanctions would only make the background to the negotiations between the ANC and South African government more bitter and polarised.

He said Mr Mandela was optimistic about the time-scale for these talks and also recognised the importance of attracting international investment to a post-apartheid South Africa.

It would be crazy to seek to drive away international capital now but try to attract it back in six months time, he said.

Mr Robert Hughes, for the opposition Labour Party, a veteran anti-apartheid campaigner, had said Britain would be wise to retain sanctions until the South African people themselves thought it reasonable to lift them.

Responding to Sir Peter Blaker, for the Conservatives, Mr Waldegrave said President de Klerk was faced with the same dangers to his political survival as President Gorbachev.

It was no more likely that one would survive than the other, he said.

However, he restated the government's opposition to giving economic aid to the Soviet Union until it embarked on further reforms.

Parliament told voluntary repatriation 'is working well'

Fewer boat people arrive in Hong Kong

By Robert Mauthner, Diplomatic Correspondent

THE number of Vietnamese boat-people arriving in Hong Kong has fallen sharply by 87 per cent since the beginning of this year compared with the same period of 1989, Mr Francis Maude, Minister of State for Foreign Affairs said yesterday.

Giving evidence to the Commons Select Committee on Foreign Affairs, Mr Maude said that, while he certainly did not exclude mandatory repatriation of boat-people in the future, the voluntary repatriation scheme was working well.

Voluntary repatriations from Hong Kong to Vietnam since March 1989, *including a plane*-load of 218 yesterday, totalled 3,387, and another 1,471 volunteers were still in Hong Kong waiting to return.

However, departures from Hong Kong of boat-people since the beginning of this year, including refugees being resettled elsewhere and volunteers for repatriation, who totalled 5,922, still only exceeded new arrivals plus births in camps by less than 900 people.

As a result, the number of boat-people now in Hong Kong remained at an excessively high level of 54,274.

Mr Maude said that the majority of boat-people still coming into Hong Kong were from South Vietnam, while the flow from North Vietnam had practically dried up. No new camps had been opened in the colony this year.

Asked to explain the reasons *for the striking reduction of* arrivals, Mr Maude said he thought that Britain's decision to send back a first plane-load of 51 boat-people last December had sent a very clear signal to Vietnamese wanting to leave their country. Another important factor had been the agreement with Hanoi providing for the return of up to 1,000 boat-people per month.

Mr Maude, who told the Committee that he would be visiting China at the end of this month, said that Peking was beginning to modify its hardline policies imposed since the student demonstrations on Tiananmen Square last summer. The change in approach was shown by the large number of political detainees who had been released, the decision allowing the leading dissident Fang Lizhi to emigrate and the lifting of martial law in Tibet.

The Minister denied, how*ever, that the Government now* considered that business was now completely back to normal with China. It would be quite wrong to act as if Tiananmen Square had not occurred, he said. "I shall make it quite clear what our position on human rights is."

● As the first season draws to a close, and the rave reviews continue, a committee of MPs yesterday set the stage for the House of Commons' £1.6m television show to run and run.

There has been no rise in disorder, the lighting has not been unbearable, and the broadcasters have played fair. In short, MPs – whose professed vanity was always suspect – have seen themselves on telly, and liked it.

The Select Committee on Broadcasting pronounced the year-long experiment "a success" and recommended the cameras be made a permanent fixture. *The full Commons* vote, expected before the House rises at the end of the month, is likely to be a formality. On disorder, the figures, if anything, point to a decline. During the period of the experiment so far, only one MP has been ordered to withdraw from the chamber.

UK graduates seek careers in Europe

By Norma Cohen, Education Correspondent

AN overwhelming majority of British graduates are prepared to move abroad to work, with West Germany the most popular destination, according to a *study released yesterday*.

Royal Mail, after surveying nearly 2,500 students in Britain and on the continent, found that 85 per cent of British graduates would like to work in another country.

Of those who would move abroad, 63 per cent select Germany as their first choice.

Among continental students studying abroad, Britain, West Germany and France are the most popular destinations. However, only one in five German students – the nationality most highly prized by British personnel managers – would consider moving to Britain. Among the main detractions about working in the UK is the weather, the survey found.

British employers largely *dismiss the possibility of a* "brain drain" of native graduates to jobs in other countries. Few felt there was a crisis looming and most said reports of one simply reflected a larger number of companies wishing to recruit graduates generally or a shortage of graduates in specific disciplines.

Only about a third of companies questioned claimed to be aware of a shortage of graduates.

The survey found that most British employers believe that too few graduates are proficient in foreign languages to make job mobility a genuine option.

Thus, fears of a "brain drain" are vastly overstated.

But the survey found that 52 *per cent of British students* can speak a foreign language, compared with 85 per cent of other European graduates.

Of those employers taking the "brain drain" warnings seriously, a variety of alternative sources of personnel are being considered.

In particular, employers are targeting women returning to work after child rearing.

About 75 per cent of employers surveyed are considering recruiting graduates from other parts of Europe, partly to enhance their efforts at "Europeanisation".

Meanwhile, the survey suggests that manufacturing, construction and architecture will have difficulty recruiting their fair share of British graduates.

Only seven per cent of Brit*ish graduates put these indus*tries at the top of their list of careers.

This contrasts sharply with the career goals of German students who put manufacturing at the top of the list. Also, only 10 per cent of British students considered a career in engineering, compared with 16 per cent of continental graduates.

Meanwhile, the survey found that pay is not the top priority of British graduates. More weight is given to selecting a job with a good career structure and ability to progress.

BRITAIN IN BRIEF

US venture seeks role in prisons

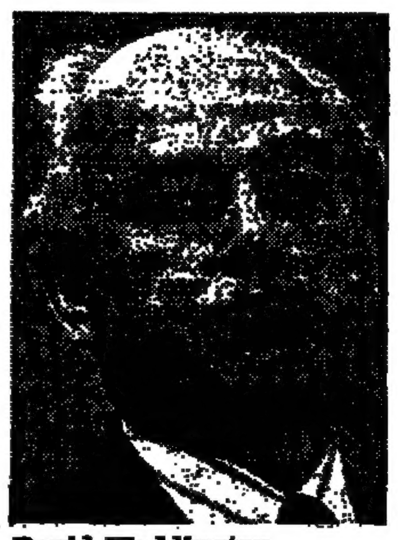
The largest US private prison operator could gain a strategic foothold in Britain's prison service as a result of a privatisation programme announced yesterday by the UK Government.

According to UK officials Corrections Corporation of America will form part of a UK/US joint venture bidding for contracts covering court escort duties and the management of a new remand centre due to open in 1992. In all about eleven contracts will emerge from a competitive tendering process.

The joint venture – UK Detention Services – is with John Mowlem and Sir Robert McAlpine & Sons, two British construction companies.

Last year John Mowlem and Sir Robert McAlpine formed another joint venture which won the contract to design and build a new remand centre for 300 at Everthorpe on Humberside.

Mr David Waddington, the Home Secretary announced in the House of Commons that private security firms will be allowed to compete for the contract covering the escort of low-security prisoners to and from courts in England and Wales.



David Waddington

N Ireland reform call

The power of the Government to intern Northern Ireland terrorist suspects without trial should be abolished, a Government-commissioned report recommended yesterday.

Detention without charge or trial "is normally regarded as a symbol of authoritarian abuse of power", says the report on security forces' emergency powers in the province. *It has not be used* in the province since 1975.

But the report's author, Lord Colville of Culross, recommends the creation of a new offence "going equipped for theft" to cover the use of everyday items for terrorist purposes.

Dunsdale wound up

Dunsdale Securities, the investment firm which collapsed at the beginning of June, was formally wound up in the High Court yesterday. Liquidators can now widen their pursuit of the company's assets by interviewing Dunsdale's sole director, Mr Robert Miller.

The granting of a petition allowing the winding up of Dunsdale meant that the provisional liquidators, Stoy Hayward and Sorksy Defries, were confirmed as liquidators.

They are expected to gain full access to Dunsdale's records later this week when the Serious Fraud Office makes the accounts available. So far, they have traced just £320,000 of the estimated £17m of missing clients' funds.

Scargill: welcomed statement by Soviet union president

Scargill claims Soviet support

Mr Arthur Scargill, president of the National Union of Mineworkers, said a statement by a Soviet mining leader vindicated his account of what happened to money collected by Russian miners during the 1984-85 miners' strike in Britain.

Mr Scargill welcomed a statement by Mr Vladimir Louniov, president of the Soviet Coal Employees Union, that miners in the Soviet Union had not sent any money directly to the NUM to support miners during the strike.

Mr Louniov said aid from Soviet miners during the strike was confined to shipments of food, the provision of holidays in the Soviet Union and courses for union activists. This had been paid for from money collected by miners.

The National Union of Mineworkers is likely to launch a further inquiry into whether it can recover about £1.4m which was said to have been donated by Soviet and east European miners during the strike.

ICL cements US link

ICL, the information technology arm of STC of the UK, has further cemented its relationship with Sun Microsystems, one of the fastest growing US computer companies. It announced yesterday that it has signed a joint marketing agreement with the US company through which Sun will market ICL's powerful DRS 6000 computers while ICL will market Sun's workstations and file servers.

The arrangement, which will take effect immediately, will apply only to the US although ICL said that it expected to extend the agreement worldwide later this year. ICL already markets badge-labelled Sun graphics workstations in Europe. The new arrangement will not involve badge labelling. Sales teams from the two companies will open opportunities for each other.

Power call for fuel tax

A large carbon tax on fuels designed to cut pollution would stimulate economic growth by the end of the decade, according to National Power.

The tax would be levied on carbon-based fuels such as coal, oil and gas and would differ from the present duty on oil which is designed to raise revenue.

National Power bases its claim The main factor explaining these results is on the assumption that revenues raised by a carbon tax would be used to cut other taxes, leaving the fiscal effect as neutral as possible.

Gulf ordered to pay costs

Gulf Consolidated Services for Industry, the Panama-based offshore investment company, was yesterday ordered by the High Court to pay costs after it admitted contempt of court.

Two accountants from Jawad Habib & Co, described in court as a member of Coopers & Lybrand (International), were cleared of aiding and abetting contempt by disclosing the contents of confidential documents to a Bahrain newspaper.

Gulf Consolidated is involved in litigation with Credit Suisse First Boston, the UK securities house, over the flotation of the company on the Bahrain Stock Exchange in 1980. Jawad Habib & Co, has allegedly been appointed to act as liquidators for Gulf Consolidated – CSFB denies that the company is in liquidation.

Mr Justice Potter said it had not been established that Mr Habib, the firm's senior partner, had known of the implied undertaking to the court which obliged him to use documents obtained from CSFB only for the purposes of litigation. It was also not established that Mr Rattunsha, the firm's other partner, had actively aided or abetted the contempt.

The judge stressed that he did not consider the contempt to be slight or trivial, and that he had taken into account the sincere apologies expressed by the company, and by the two individuals. He added that the attitude of the court to future disclosures was likely to be severe.

Departments save £1.3bn

Government Departments made total savings of £1.3bn over the past five years since the creation of a unit to encourage better purchasing policies, Lord Caithness, the Paymaster General, said yesterday. The present annual spending by departments involved is £7bn.

Savings achieved by the departments – which do not include the Ministry of Defence or the National Health Service – rose from £70m in 1985-86 to more than £455m in 1989-90.

Crown estate put at £2.39bn

The value of the Crown Estate, the property formally owned by the sovereign but handed over to parliament in exchange for the Civil List, went up by 13.9 per cent to £2.39bn in the last financial year.

The slowdown in the property market is reflected in the total return of 17 per cent which, although in line with forecasts, is about half the previous year's result.

Conservatives celebrate the end of term and a long holiday ahead

Philip Stephens on the shift in Government fortunes as the recess approaches and the Labour Party's lead in the opinion polls narrows

THE politicians responsible for running Britain's ruling Conservative Party in Parliament can hardly believe their good fortune.

The long summer recess is approaching and with it a holiday atmosphere at Westminster, which will empty after the last debate on July 26 and not reassemble until October.

As the break approaches, the dissident and difficult MPs on the Government benches seem content to spend their time sinking Pimms cocktails on the *Terrace, looking out over the* River Thames, rather than trooping through the lobbies with the opposition.

Mr Timothy Renton, the senior party manager responsible for Conservative MPs, or *chief whip*, is entertaining his troops at drinks parties in nearby Downing Street rather than summoning them for the traditional July inquests in his House of Commons office.

Fresh warnings from the Treasury that inflation will prove yet again more stubborn than it forecast just three months ago are blithely ignored.

A strong pound cheers patriotic spirits at Westminster – and should forestall the interest rate rise which Treasury officials had been arguing for and which Tory MPs feared.

Even the prospect that the package negotiated by Mr Chris Patten to ease the bur*den of the community charge*, the controversial new local tax, will fall short of most expectations has hardly stirred the pessimists.

Distinguished political commentators in the Sunday newspapers are adding to the warm glow with confident forecasts that the Government's fortunes may continue to improve fast enough to allow a snap election next June.

The dramatic change of mood since the panic of the spring is not without foundation.

A sharp narrowing of lead held by the Opposition Labour Party in the opinion polls – from 25 to closer to 10 points – has persuaded many Tory MPs that if the election outlook remains clouded it is not entirely black.

Labour's latest policy document appears too have sunk without much trace. Many on its own front-bench are beginning to wonder whether dumping the ideological baggage of the past will be enough to sustain its lead.

The Government's pick-up in the polls has been mirrored by a similar trend in MPs' postbags. The flood of complaints about high mortgage rates and the poll tax seems to have dried to a trickle.

At least one cabinet minister is getting more letters about the need for a dog registration scheme than about the level of borrowing costs.

The next 10 days might yet see a backbench rebellion – most likely over the Government's decision to postpone the implementation of its community care proposals – but few MPs will have their heart in it.

What is far less certain is that the current mood can be sustained though the less agreeable climate of the autumn and winter.

If in April it was hard to see how things could get any worse, many senior ministers now find it difficult to see how, for the immediate future, they can get much better.

Mr Kenneth Baker, the party chairman, will undoubtedly employ his formidable presentational skills to come up with a suitably upbeat election slogan at the October party conference. Choice and opportunity will be the themes.

Mrs Margaret Thatcher meanwhile will promise during her end of term pep talk to the *1922 Committee* of backbenchers next week that all shades of opinion in the party will be consulted in drawing up the manifesto.

But that, one senior minister commented this week, is where the good news may well end.

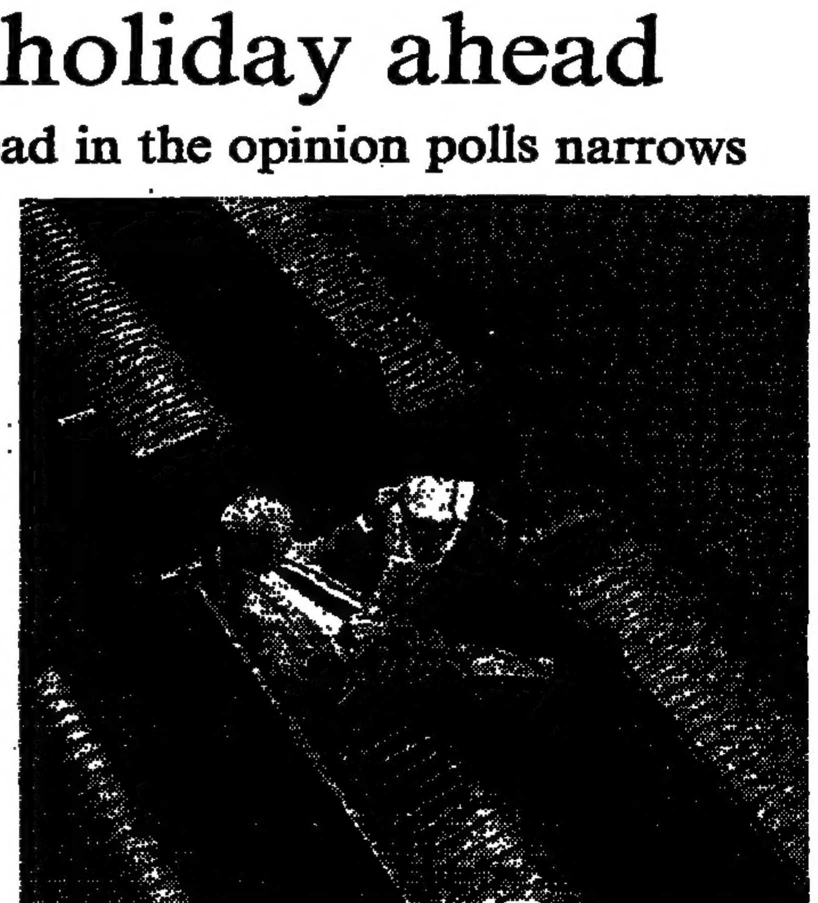
Mr John Major, warned by his officials that he can longer expect inflation to be down to 5 per cent by this time next year, cannot afford to relax the interest rate and exchange rate squeeze before the turn of the year.

Homeowners may be becoming inured to the pain, but those running small businesses – among the Government's most important and vocal supporters in the country – are feeling it ever more acutely. The winter, ministers believe, will bring a fresh wave of bankruptcies and a sustained rise in the unemployment total.

The message for spending ministers is similarly bleak. The Treasury insists every year that the annual bargaining round will be the toughest ever. This time, Mr Major will tell the cabinet next Thursday, it means it.

Mr Kenneth Clarke, the Health Secretary, will get a sizeable settlement for the health service, as will Mr Tony *Newton, the minister for social* security. Neither will be get enough, however, to forestall fears that the next year's NHS reforms could be accompanied by wave of ward closures or another row over child benefit.

As for the rest of the cabinet, the advice from Great George Street will be to add a minus sign to whatever each has asked for.



Signs of the summer: MPs relax and put their feet up

Facing up to recession

A slump was not part of the original design

Alice Rawsthorn reports on a sector of the consultancy business which is finding life particularly difficult

The cover of Blueprint magazine in January 1988 featured "The Two Faces of British Design: Big Bang and Bent Metal". On one side was Michael Peters, chairman of one of the large design consultancies which had flourished in the Big Bang era. On the other was Tom Dixon, the sculptor and furniture maker.

At the time the Big Bang designers were in the ascendant. The design industry was dominated by the new breed of large consultancies, like the Michael Peters Group, with their stock market quotations and transatlantic acquisitions, rather than the old stereotype of artisan designers, like Tom Dixon.

Today, the large consultancies are on the defensive. Conran Design Group shed almost a third of its staff last week shortly after being bought by Roux Seguéla Cayzac Goudard, the French advertising agency. Fitch, one of the leading retail design groups, has seen its shares slide since issuing a profits warning a few weeks ago.

Michael Peters is in the most precarious position of all. The company which was once seen as a symbol of the design industry's success is now burdened by heavy debts and hefty losses. Peters is struggling to assemble a financial rescue package. Last week Fiona Gilmour, one of its most prominent directors, resigned after a boardroom row.

Rodney Fitch (left) and Michael Peters: feeling the pinch

All the large consultancies are suffering from the recession that has hit the design industry since last summer. As interest rates have risen and corporate profits have come under pressure, the design industry's clients have been forced to cut costs. As a result they have cut budgets and postponed projects; new business for the design companies has dried up.

Every area of the industry has suffered, but the large consultancies seem to have suffered most of all. Their problems raise questions about the future for large design consultancies and for the structure of the design industry.

Until recently design seemed set to follow the same path as most other maturing industries. The large consultancies were expanding, often at the expense of middle-sized firms. Some companies – such as Michael Peters, Fitch and Stewart McColl – had gone public in the mid-1980s. Others were planning to follow suit.

At that time going public looked like a golden opportunity for the industry. It provided a platform for design companies to finance the overseas acquisitions needed to service their international clients. It also offered an opportunity for their founders to become very wealthy.

One school of thought – both inside and outside the industry – maintains that design consultancies are simply not suited to life on the stock market. Design companies, or so the argument goes, are too small and their finances too fragile to cope with the pressures of public quotation. This school has seized on the problems of Fitch and Michael Peters as proof that it was correct.

The story of Peters certainly reads like a cautionary tale of the perils of going public. Since its flotation, Peters has staged a series of ill-judged acquisitions and incurred hefty debts – of at least £4m by the end of its financial year – to do so. Its financial problems are now so severe that it has been forced to look for outside investment.

Stewart McColl was in a similar position two years ago when it sold out to the WPP Group. Unless Peters finds a rescuer it could go into receivership. In the meantime its shares, once worth 276p, fell below 10p this week.

By contrast Fitch's stock market career has been comparatively successful. The strong performance of RichardsonSmith, the US product design business it bought last year, is now helping to counter the downturn in its UK interests. It is difficult to see how Fitch could have financed the RichardsonSmith acquisition as a private company.

Fitch is now experiencing the crueller side of being public. As a private company its fall in profits would probably have passed unnoticed.

Wolff Olins, the corporate identity design consultancy, is still regarded as one of the most successful members of the industry even though it fell into a loss last year. Wolff Olins, a private company, could swallow the loss and get on with its business. Fitch was forced to make a formal profits warning to the stock market and to tackle its problems under the full glare of publicity.

By the end of the year Fitch will probably be the only publicly quoted design consultancy left in the UK. The Peters *débacle* seems set to be the closing chapter in the design industry's flirtation with the stock market.

But the problems of the publicly quoted consultancies are affecting the other companies.

Most of the large consultancies still need external help to fund their overseas expansion. Given that flotations are now out of the question – the City is just as disillusioned with the design industry as the industry is with the City – the likeliest alternatives are mergers or selling out to bigger businesses.

The bad publicity surrounding Fitch and Peters has soured perceptions of the industry. A number of marketing services groups are still interested in buying UK design businesses. But the prices they are offering are far lower than a year ago.

Last week's cutbacks at Conran Design – where 45 of the 150-strong staff, including the chief executive, were made redundant – showed the harsher side of belonging to a bigger group.

The industry's instability is also affecting merger plans. Lloyd Northover, one of the larger corporate identity design companies, has postponed its plans to merge with another consultancy. Jim Northover, managing director, said it would wait until market conditions were more stable.

In the meantime the large consultancies are pressing ahead with international expansion, but in a rather less ambitious way than in the past. Lloyd Northover is forming "strategic alliances" with other European consultancies. Fitch recently opened small sales offices in Spain and West Germany, as did Wolff Olins in France.

The future for the large consultancies seems secure. The structural trends that fuelled their growth in the 1980s – the increased sophistication of design schemes and growing number of international projects – are still around in the 1990s.

Moreover, the only area of the industry to show any sign of recovering from the recession are the large corporate identity consultancies. Brian Boylan, group managing director of Wolff Olins, says there has been a marked improvement in the flow of new business over recent weeks after "an incredibly slow" start to the year.

But the era of the Big Bang design businesses is probably over. The large consultancies of the 1990s are more likely to be subsidiaries of larger marketing services groups, than acquisitive independent companies along the lines of Fitch and Michael Peters.

The design industry seems anxious to shrug off the legacy of the Big Bang era. One of the main themes of last weekend's Chartered Society of Designers' conference in Glasgow was the need for designers to respond to the new concerns of the 1990s: the disillusion with conspicuous consumption and greater awareness of environmental issues.

Perhaps the new face of the British design industry will be closer to artisans like Tom Dixon than to Michael Peters and Big Bang.

Taiwan reveals its hoardings

Clay Harris on More O'Ferrall's penetration of the Far East

Once a month, Ernest Wong flies a bill-poster from Malaysia to Taiwan just to change his billboards. Local contractors had proved unable to follow the accepted system for pasting up the poster sheets, starting in the upper left corner.

"Three guys would start from three different places," despairs Wong, general manager of More O'Ferrall Taiwan, which has introduced the western-style billboard to the country. A job an experienced bill-poster could do alone in 35 to 40 minutes was taking three men up to four hours to complete. Frequently the finished product betrayed this amateurism.

Trying to establish a new premium-priced medium in a market where outdoor advertising had been limited to neon and painted signs, Wong had to look to his home country for expertise.

The silk-screen printing of the posters is also done in Malaysia, where the outdoor advertising industry was well developed. Wong has been unable to find any printer in Taiwan which can compete on quality or price; local quotations come out twice or three times the cost of Malaysian printing.

"We are providing high-quality identical sites which carry what amounts to the printed page," says Peter Kent, managing director of More O'Ferrall International. "We have to maintain a quality in line with our name."

Two and a half years after starting the Taiwan operation for More O'Ferrall, a leading poster contractor in its home country of Britain, as well as in France and Belgium, Wong has overseen the construction of 65 poster sites in Taipei, the capital, with a target of 100 by the end of 1990.

The business is set to show its first profit this year after breaking even in 1989. With rates equivalent to £900 a month, each site pays for itself in four to six months.

Initially, Kent says, the interest came from multinational companies because they were aware of the medium. But now more than a third of sites are being booked by local companies, including Taiwan's five leading stockbrokers. In addition to high-quality printing and illumination, posters offer two other innovations to advertisers in Taiwan.

Ernest Wong: "In Chinese business, it's who you know"

One is the frequency with which messages can be changed. Unlike painted signs, which are bought for a minimum of a year, no poster stays in the same position for more than a month, although they can be rotated to other sites to maintain eye-catching novelty.

The other is solus positioning. By contrast with a wall covered in multiple signs, the impact of the More O'Ferrall poster is enhanced because it has no visual competition.

Achieving this often tests Wong's skills of negotiation. Sometimes each floor of a block is owned by a different landlord. "I can't pay all of them because it would be uneconomical to do business." He buys wall rights from owners of the second and third storeys (by the US rather than UK definition) and trusts that upper floors – less popular because of their elevation – will not be sold to competitors.

Wong often has to call the bluff of landlords who claim, even after a contract has been signed, that a rival has come up with a better offer. He usually walks away, because such behaviour is a warning signal of trouble ahead.

Coming to grips with local business culture has been a challenge for Wong, who had never been to Taiwan before he was appointed to his present job in 1987 at the age of 27. He worked for Ernst & Whinney in Kuala Lumpur before going to London in 1985 to complete his accountancy training.

He joined More O'Ferrall as an accountant in 1986, and after about 18 months his desire to look for a management job coincided with the company's selection of Taiwan as its Asian toehold. The latter choice was largely a matter of chance.

"We were interested in Singapore but we didn't get the Singapore Mass Transit poster contract," recalls chairman Russell Gore-Andrews. There was also an abortive effort to introduce advertiser-sponsored double-decker buses to China.

To guide Wong in his early days, Gore-Andrews turned to Dennis Chin, a local advertising veteran whose agency is now part of Saatchi & Saatchi Gaynor. Chin acted as a local "uncle" to the expatriate Wong. "You can't just send in a young turk," notes Kent. "You need the counsel of a sage."

"In the Chinese way of doing business, it's very much who you know," agrees Wong. Chin not only arranged introductions but also advised on local business morés – when it was politic, for example, not to insist on one's legal rights.

Although most media buyers speak English, Wong says his knowledge of Mandarin has been invaluable with local clients and especially in the negotiations with landlords. "Now I speak in Mandarin about 85 per cent of the time."

About 85 per cent of his sites are occupied. Gore-Andrews, whose Adshel bus shelter subsidiary in Britain left panels open rather than discount when it was establishing a new premium product, is happy with the occupancy rate in Taiwan: "If you're fully sold, you're under-charging."

More O'Ferrall recently retreated from its goal of creating a national network in Taiwan when it emerged that advertisers wanted to buy space only in the capital. It pulled down several dozen billboards it had built in three other large cities – Kaoshiung, Taichung and Tainan.

Kent puts a positive gloss on this. "It's very difficult, nay impossible, to book a medium that's exclusive to Taipei. What we really need to assess is the optimum number of sites."

On the ground in Taiwan, Wong does not have an answer yet. "In our other operations, we know that 200 is obviously better than 100. What has been successful in France and Belgium may not be successful here, but until that is proved wrong, we will take the same route."

TECHNOLOGY

Raid on software pirates

MORE than 30 leading British software firms last week committed to spending more than £300,000 on a public awareness campaign aimed at stamping out software piracy within top UK companies.

The campaign, to be co-ordinated by the London-based Federation Against Software Theft (Fast), will employ advertising and marketing campaigns to build corporate awareness of the dangers of illegal software copying.

In addition to the revenue loss for software companies, Fast believes that piracy also puts a stress on the support and training resources of British companies (because they have to support more users of software than originally budgeted for) and creates a greater risk of passing computer "viruses" around a company.

The Fast initiative was spearheaded with the support of software companies Microsoft, Ashton-Tate and Lotus Development. The UK managing directors of these companies met last week to secure the support of other software companies, most of which committed at least £10,000 each to the piracy fighting fund.

The move is a reaction to the findings of a Mori survey conducted last months for Fast. The poll concluded that software companies suffered in excess of £300m in lost revenues due to software theft within British industry.

The survey – carried out through interviews with about 300 senior British industry managers from companies with annual turnovers of more than £50m – concluded that 55 per cent of senior managers who use personal computers at work copy software illegally, whether they know it or not.

It also found that 41 per cent of senior managers had recently broken the 1988 Copyright, Design and Patents Act, 31 per cent said that company had no control over the illegal duplication of software within the company and less than 35 per cent could remember their company ever undertaking an audit for illegal copies of software.

Geof Wheelwright

Lynton McLain asks whether the defence industry is prepared for the possibility of a civilian role

Under pressure to beat a retreat

The biggest issue facing high technology defence equipment manufacturers on the road to peace is their possible conversion to a civilian role. Defence technologies are highly specific and often secret, making their transfer to civilian markets prohibitive.

This issue was ignored by defence equipment manufacturers during half a century of Cold War military posturing by Nato and the Warsaw Pact, but it is now assuming a rapidly growing importance for defence companies.

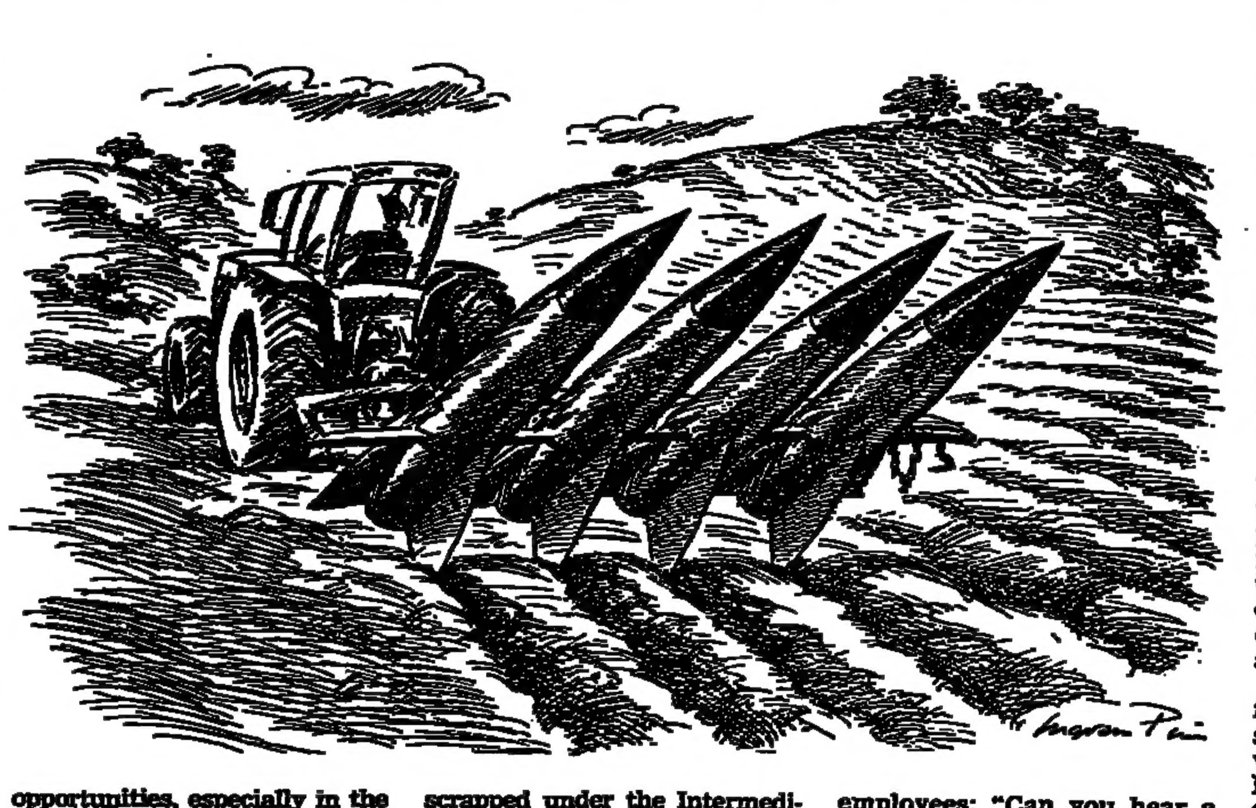
Piers Whitehead, an analyst at stockbrokers Robert Fleming, says UK defence manufacturers are worried about the changing market. "The most important thing is the timing, especially because defence companies have not been producing good profits. If things change too rapidly some companies might not be ready to respond," says

A joint report from the Department of Trade and Industry and the Ministry of Defence on the potential for civil benefit from defence research and development, says: "Many of the difficulties of transferring technology from defence to civil markets are not primarily of a technical nature. The difficulties often reflect a culture gap between companies' marketing and other activities for the defence and civil markets."

The report says that overcoming the "culture gap" is not simply a matter of re-packaging defence technologies for civil purposes. Douglas Hogg, the UK industry minister, says companies "can and must do more to apply their defence technologies elsewhere. In particular they must improve their appreciation of the civil marketplace." The UK Government, however, has no plans to assist in the conversion of defence industries to civil production. Alan Clark, the Minister for Defence Procurement, told MPs in March that "British industry is perfectly capable of determining its own product ranges without Government assistance."

Not many companies, it seems, have a coherent policy of what can be done with the technology that has evolved for the purpose of making a steady stream of new and increasingly advanced weapons of war.

Some, such as British Aerospace, Britain's largest manufacturing company, have sought to reduce exposure to the UK military market while still seeking military export



opportunities, especially in the Third World. But policies to cope with the accelerating rate of change in the defence market are also being considered. Its involvement in the civil aircraft market is growing, but just how appropriate military technology is to civil aircraft remains to be seen.

BAe, with a policy of diversification by acquisition, bought the Rover automobile group, Ballast Nedam, the Dutch construction group and Arlington Securities, a property development company. It also bought Royal Ordnance, which BAe saw as complementary to its mainstream defence activities, but RO looks increasingly exposed as a pure arms and munitions company.

New markets for technology associated with defence could also emerge, associated with the demilitarisation of Europe. These could include new technology to verify observance of arms control treaties and for the peaceful destruction of missiles, as was required for the US and Soviet missiles scrapped under the Intermediate Nuclear Forces Treaty. With the INF treaty of 1987, the armies had to develop technology to destroy the missiles, including explosive demolition, burning, crushing and flattening.

Before other new markets emerge, or are identified, industrial casualties are likely to accompany the loss of military units as western forces are reduced. In the first UK cuts last month, caused by the impact of inflation on the Ministry of Defence's £21bn annual budget rather than the changes in eastern Europe (the UK response to these changes is to be announced later this year), 33 Tornado strike and fighter aircraft for the RAF were cancelled with the prospect of job losses at British Aerospace's military aircraft factory at Warton, Lancashire.

BAe conveyed an idea of the difficulty involved in making a technical conversion to peace products in a series of recent advertisements. They posed the question to prospective employees: "Can you hear a pin drop at a fireworks display whilst eating crisps at 30 fathoms under the sea?" Although purely illustrative, the message spells out the complexity of simultaneous demands which are characteristic of many of the problems the aerospace sector has to solve.

This work includes commercial and defence, with the complexity especially intense in military equipment. Few military items are simple, single function products and the level of interaction between parts of a military product and in its interface with other equipment has been increasing steadily, so that a military aircraft, for example, or a warship, is considered to be a system, rather than a single entity.

A guided missile, a radar or a tank has thousands of parts. A Challenger main battle tank, made by Vickers Defence Systems at Leeds and Newcastle upon Tyne, comprises 8,000 metal parts made at these factories and 5,000 parts bought in from sub-contractors.

Linked with this complexity is the requirement for reliability. Military hardware often remains unused for years. This is obviously so for munitions, such as bombs, bullets and shells which must work instantly the only time they are used, however long they have sat on a shelf. Few, if any, non-defence products have the same requirement.

Other characteristics of the defence sector include the production of hand-built, high quality, long-life products made in low volumes, all subject to stringent outside checking and quality control by inspectors from the MoD.

In contrast, non-military industry by and large produces products on a mass scale, often using automated or semi-automated techniques. The quality of domestic or industrial products is often of a very high order, but domestic requirements are not comparable to those of the military with its other considerations, and outside inspection is not a feature of every non-military product.

Direct transfer of technology would be the ideal solution to the prospective cuts in defence procurement. The transfer of military aerospace technology to civil aircraft is an obvious example, but transfers to entirely new markets is another possibility.

The transfer of pure research from the military to the civil sector can be "carried across very easily," according to William Gosling, visiting professor of electronic engineering at Bath University and director of electronic development at Securicor, the UK security and communications group.

The MoD/DTI report concluded: "Successful civil derivatives from defence research are more likely to arise where a company possessed a unified technology base; with manufacturing and test facilities able to cope with defence and civil market demands. This allows the integration of new technologies at an early stage of their development, regardless of whether their source is the defence or civil sector."

It added that many companies recognised that the UK defence market alone was too small to guarantee their future survival. "Companies must investigate the possibility of exploiting their defence technology base over a broader market range, including civil."

A further article, giving examples of civil applications for defence technology, will appear tomorrow.

Fax machines send an updated message

Fax messages used to be treated as something to be read and thrown away, or as preliminary documents to be followed by a "proper" document sent by post. Suppliers are now citing market research showing that 65 per cent of all faxes are copied and filed.

Another revelation is that while just two or three years ago fax, or facsimile, machines were the privilege of larger offices, now small personal faxes are standard for home-based workers and small-business users. This sector accounts for 66 per cent of the total fax market.

Fax machines have become not only the standard method of transmitting business documents (there are at least half a million in the UK and worldwide the figure is estimated at more than 7m) but they are also changing our working practices. Three new developments in fax technology seem likely to bring even further change. These are voice/fax recognition ability, plain paper printing and the race for a faster modem.

Voice/fax recognition allows a fax machine, a phone and an answering machine to be combined in one compact unit, using only a single telephone line – useful for those whose fax traffic is not big enough to justify separate lines. The machine's software can recognise whether the phone signal is a voice or a fax, and will either switch the fax to receive mode, ring the phone or route the phone call to the answering machine.

Both Panasonic and Toshiba have launched versions of the multi-purpose fax. They are an improvement on existing phone-faxes which can share a telephone line but lack voice/fax recognition ability, hence require manual switching between the two. Automatic switching was possible only via an additional external box. The new machines incorporate control boards similar to those switching boxes, but miniaturised and with more sophisticated software.

Auto-switching phone faxes may be regarded as machines for executive users of personal faxes. At around £1,000 they are more expensive than their manual counterparts, which sell for about £600. But according to Alec Bushel, Toshiba's marketing manager, automatic switching is likely to graduate quickly from a luxury to a feature taken for granted on all small business fax machines.

Plain paper fax is also expected to turn from a minority interest into the mainstream. Suppliers predict that within 18 months almost all office fax machines will use plain paper. Printing on thermal paper, the method most faxes now use, means that faxed documents are too flimsy to be comfortably handled, their quality is not good enough to be read by a computer scanner and their print soon fades.

Plain paper printing not only dispenses with the need to photocopy but also gives much better quality print. Plain paper fax machines using laser printers have been around for three years. But the technology was restricted to a few high-end machines which were bulkier and more expensive than thermal ones. Plain paper laser printing is now being extended to smaller and more affordable models, and most suppliers have at least one model in their range.

Another method of plain paper printing uses a thermal printing head and a roll of inked polythene to transfer the print on to plain paper. The result is a high quality print-out which will not fade. Currently only Canon and Xerox have a range of thermal transfer fax machines. They are somewhat more expensive than comparable conventional (thermal paper) faxes, but priced at less than £2,000 they are cheaper than laser ones.

Faster fax machines using a new 14,000 bits per second (bps) modem are also tipped to become commonplace. It is claimed that the best transmission speed for an A4 page will be reduced to just six seconds. But because the International Telephone and Telegraph Consultative Committee (CCITT) has not produced a standard for the technology, the 14,400 bps modem, made by Rockwell, works only between machines from the same manufacturer. Without a universal communication, the transmission speed will remain the standard 9,600 bps.

Laura Blair

ARTS

CINEMA

Letters to Einstein, Part II

BACK TO THE FUTURE III
Robert Zemeckis

DARK ANGEL
Craig Baxley

BLIND FURY
Phil Noyce

SHE'S OUT OF CONTROL
Stan Dragoti

ANITA, DANCES OF VICE
Rosa Von Praunheim

Dear Albert Einstein,

They are back. During our last exchange by interdimensional fax machine, you were kind enough to sort out for me the time-space complexities of *Back To The Future II*. Now *Back To The Future III* has opened a mere six months later and I must, I fear, consult you again. In the new adventure Doc and *Marty* have travelled back to 1885, where they are trapped in a Western-era time-warp and their DeLorean time-machine has run out of fuel. They plan to push the car up to its proper speed using a locomotive and then roar over an uncompleted rail-bridge, which will be magically "completed" when they hit the time-barrier into the present.

Two questions. Is this feasible according to your theories of time and space? And did you know that Doc has a picture of you on his mantlepiece and a dog named after you? Best regards. FT.

Dear FT,

According to my theories, this is entirely plausible. Hollywood, as I outlined in an unpublished paper, is a freak astro-temporal junction in the universe, where anything can happen, given enough money to get it off the ground. I am puzzled but also flattered by the references to myself in the film and will not be considering legal action. Apart from all else it is good, I find, to keep in with the movie industry.

On which subject: I am thinking of constructing a sequel to "E=MC2" called "E=MC3: The Adventure Continues." Do you know anyone in the film business who might be interested in optioning this? My agent suggests an initial asking figure of $2m. Best. Einstein.

Dear Mr Einstein,

Thank you for your fax. It clears up many matters. By the way, *BTTF3* is a most entertaining sequel. Mary Steenburgen makes an appearance as a pretty-for-her-years schoolmarm who becomes Doc Brown's beloved. Biff Tannen (Thomas F. Wilson) is still about in ancestral guise as the baddie. And the climax is a delightful romp involving floating trains, Jules Verne and much else.

I have mentioned your project for a sequel to "E=MC2" to the appropriate people at Universal Pictures and they have shown some interest. Could you write in roles for Michael J. Fox and Christopher Lloyd? Though 30 years old, Mr Fox is still a convincing teenager and Mr Lloyd, though under 50, an even more convincing mad geriatric. Yours. FT.

Dear FT,

Your fax gratefully received. I shall certainly make a point of seeing *BTTF3* when it appears at a cinema near me. Yes, I can manage roles for Fox and Lloyd. Are there any other suggestions or stipulations from the studio? My agent on Earth, by the way, is Bruno "Five fingers" Zeitgeist, at Sunset and Poinsettia.

I caught the first two *Back To The Future* films the other day. Most entertaining. But what ever happened to the actor Crispin Glover, who played Marty's father in the first film and did not reappear in the second? Best. E.

Dear Einstein,

Glover is absent from part three too. I learned from producers Bob Gale and Neil Canton, who were in town recently, that Glover asked for too much money. He apparently wanted an upfront deal comparable to star Michael J. Fox's and the studio said no. So Gale, who is also the screenwriter, had the painful task of writing him out of the series. Yours. FT.

Dear FT,

Thank you for your fax. I could bring the price for "E=MC3" down to $800,000 if you think this would be a good idea. By the way, I also have a script about atomic theory which I'm thinking of developing for Jane Fonda and Arnold Schwarzenegger: provisional title, "Up And Atom." Would there be any interest? E.

Dear Einstein,

Must fly. Will let you know about all these projects at later date. Do see *BTTF3* if you can. Warmest wishes. FT.

Christopher Lloyd and Michael J. Fox take a walk on the Wild West side in "Back to the Future Part III"

Meanwhile, back in 1990 in the urban America we know and love. In *Blind Fury* and *Dark Angel*, vigilante heroes are stomping across the map, meting out rough justice.

In *Dark Angel*, directed by Craig Baxley, up-and-coming Hollywood he-man Dolph Lundgren chases an intergalactic super-villain – or as Mr Lundgren prefers to describe him, an "asshole from outer space" – through the mean streets of Houston, Texas. These streets are so mean that it looks as if the city is suffering a funding crisis. But then poor street lighting, a crime epidemic and a semi-corrupt police force are par for the course in these films. All else apart, they help a redblooded cop like Mr Lundgren to throw away the rulebook and do his own thing.

Mr Lundgren duly does it. He clobbers the creature from outer space, a seven-foot ogre who sucks blood from his victims after felling them with shiny discs resembling CDs. He exposes the rulebook pedantries of his FBI sidekick (Brian Benben). And he wins the heart of pretty coroner Betsy Brantley.

Few sensible filmgoers, however, will stay around to see him do any of these things. Delivered to us with maximum crudity and minimum style, *Dark Angel* is a tale told by an idiot, full of the things such tales are usually full of. (See W. Shakespeare).

Dark Angel is put in its place by the wit and invention of *Blind Fury*. A soldier blinded in Vietnam (Rutger Hauer) is brought up in martial arts skills by Vietnamese peasants and returns to America to sort out a few private feuds. Sightless he may be: witness the moment when he steps over an alligator in darkest Florida and murmurs "Nice doggy." But he wields a Samurai swordstick like nobody's business. He will rescue his old Vietnam comrade (Terry O'Quinn) from kidnapping Nevada mobsters, and he will vanquish umpteen enemies in the process.

"What a daft plot" I hear you mutter over the marmalade. Yes, *but wait*. Director Phil Noyce (*Dead Calm*) and writer Charles Robert Carner play it for a loving blend of parody and action panache. (The idea was a borrowed from a Japanese film series about a blind Samurai). And someone had the inspired idea of casting Rutger Hauer in the lead, an eccentric actor one had feared lost forever to Guinness adverts. Faced with an unplayable hero, Hauer plays him and wins. Indeed the Hauer brings forth the man. He is touching when playing surrogate Dad to a young boy whose mother has been murdered. And he is funny when blithely getting behind a steering wheel in the statutory car chase or summing up a fight in which he has felled about a dozen foes with the words: "Unreasonable men make life so difficult."

■ ■ ■

Another star turn in *She's Out Of Control*: Wallace Shawn. Playing an small, egg-shaped psychiatrist, Shawn heaves a large, brick-shaped object through the window of each scene he is in and steals its contents. Whether snapping insanely at patients, promoting his own books during consultancy hours or answering his own rhetorical questions (how many times do teenagers think of sex in one day? 652), he is comic bliss.

His patient is Tony Danza, a possessive father worried that his newly-dating teenage daughter Amy Dolenz will get pregnant or (worse) grow up and leave Daddy. Danza too raises a chuckle in this amiable comedy, whose jokes are good enough to distract us from its somewhat icky subtext. (The last Hollywood comedy to endorse semi-incestuous father-figures was *Uncle Buck*, where John Candy tyrannised with chainsaw and shotgun over his niece's love life).

Stan Dragoti directs. Seth Winston and Michael J. Nathanson wrote. And no film can be all bad that has a garage mechanic surveying the smashed hulk of crashed car and turning sympathetically to his client to say, "I'm afraid it won't be ready for you today."

Anita, Dances Of Vice is strictly for collectors of industrial-strength kitsch. Rosa Von Praunheim's film is part biopic of madcap '20s dancer Anita Berber, part evocation of Weimar Berlin, part portrait of a memory-besieged old woman today (Lotte Huber). The only thing it is in whole rather than in part is tediously overblown.

Nigel Andrews

Alastair Muir

Embracing tragedy: Grant Thatcher,left, and Simon Russell Beale

Edward II

SWAN THEATRE, STRATFORD-UPON-AVON

Sex is the cement of politics. So director Gerard Murphy's vision of 14th century England has it. Apart from Edward II's infatuations, we discover young Spencer frolicking between the sheets, albeit in rather chaste underwear, with the "smooth-tongued scholar Baldock"; Gaveston himself is pestered for patronage by three poor men, heavy insinuation in their hands and voices as they cluster at his feet; after Edward's deposition, Mortimer gropes the ecstatically gasping Queen. And soft-spoken Lightborn, despatched to despatch the fallen monarch, is a handsome bare-chested young man to whose passionate embrace of his victim on the feather bed the thrusting hot poker is the logical climax.

All of which slightly lessens the stature of Edward and Gaveston as a homosexual Antony and Cleopatra swept up by an *amour fou* for which the world is well lost. There is nothing extraordinary in their love.Nor is the King sufficiently established as a character to make his fall truly tragic. One has no idea what he is falling from, apart from the abstract function of semi-divine kingship – nicely emphasised by the nobles' initial reluctance to take action against him despite their outrage at Gaveston's advancement.

The strength of Mr Murphy's production lies in a real Marlovian excitement. Distant chanting, dark figures approaching, a cloak thrown back to reveal the King's exiled favourite, the abrasive, scurrying shimmer of Ilona Sekacz's eerie score for string trio – from the beginning we plunge into a world of unabashed passion. Katy Behean's emotionally high-pitched Queen never lets up, a very likely she-wolf of France. Ciaran Hinds' Mortimer turns into a glowering Machiavel with a Hitlerian forelock. Together they guiltily murmur, watch and plot.

The trouble is the play itself. A lucid production exposes Marlowe's comic-strip construction: King loses favourite, regains favourite, loses him again, finds another, loses crown. The blips in the line registering Edward's career are regular and predictable until the jagged clanger of his death. Hints at the universality of power politics in Sandy Powell's design of modern collar, tie and medals combined with doublet and puff sleeves, are contradicted by the very individual circumstances.

Never mind. The performance is the thing in which we catch the outline of the King. A stubby outline it is here too. Simon Russell Beale burst on a wide public with notable nastiness in the Royal Court's *Women Beware Women*. Not an immediately romantic figure, his Edward cleverly plays on both the Russell Beale *persona* (faint camp, beaky reproach, beady-eyed carping, awake to humorous potential) and the deliberate bathos that punctuates the production's highly-strung tone. He begins at a lower emotional pitch than some but works up impressively to outraged majesty and bereaved love. The cumulative effect, and the production, make the death scene as horrifyingly spell-binding as any I have seen.

Continuing its tremendous season for ensemble work, the RSC fields some vivid performances. Appropriately love and death – or rather its finality; never have references to after-life been more perfunctory than in this play – dominate. Grant Thatcher is a dazzling Gaveston, a leather boy with studded codpiece who hubristically returns from exile in white and silver. As Young Spencer, Dominic Mafham is my tip for a new talent to watch. Polly Kemp's jolly hockey-sticks Lady Margaret, obliviously married off to the King's lover, is slightly unfocused, a production miscalculation perhaps. The successful disguise of the martial tread of Marlowe's sometimes monotonous rhythms in vigorous, clarion-clear verse-speaking, is not the least exciting element of an exciting production.

Martin Hoyle

A Good Do

RIVERSIDE STUDIOS

Over the past few years Jonathan Burrows has been producing very odd and adventurous dance-pieces. His career as an artist with the Royal Ballet has encompassed such diverse roles as his beautifully sincere Nutcracker Prince and the mad doctor in *Different Drummer*. His earlier creations - from brief solos to *The Winter King* for SWRB - were evidence of an understanding and affection for folk dance. But with *Hymns* and last year's *dull morning cloudy mild* he has moved to much more dangerous and exciting territory. *Hymns* veered between ultra-witty romping and dance-therapy; *dull morning* studied with extreme restraint an old man's world, his memories, and the diminution of his physical strength.

These pieces suggested, if not a resistance movement, at least a strong reaction to the ethos of an institutionalised classical troupe. They were tiny guerilla attacks upon Royal swans and fairies. They were, more importantly, evidence of a sure (if off-beat) creative temperament.

Now Burrows has given another evening of choreography at Riverside Studios this week. The programme began with a revival of *dull morning*, with its same cast of Lynne Bristow and William Trevitt, plus four of their colleagues from the Royal Ballet. It impressed again by the precision of Burrows' deliberate language, austere as the dancers' monochrome outfits, and by the skill with which a life seemed to pass before us in flash-back and memories. Performances were again excellent, and I salute in particular Lynne Bristow, whose emotional concentration and precision of playing create a vivid portrait of a devoted wife.

The novelty of the evening was *Stoics Part 1*, a group of solos to piano music. We began with *The Blue Danube*, given anarchic treatment by the broker's men. Burrows, Luke Heydon, Deborah Jones and Natalie Mcann, romp like mad children, flail, pile atop each other, and convert the waltz into a cross between a rugby scrum and the sack of Troy. It is funny because exact in every caper, and Miss Mcann and Miss Jones are divinely insouciant amid disaster.

After the jokes, the serious application of Burrows' language becomes all the more shocking and fascinating. In a solo to a short piece for piano and harpsichord by Matteo Fargion, Burrows moves with the dislocated and maniac energy we associate with acute mental distress. We are intrusive eyes watching some private anguish (memories are evoked of MacMillan choreography of similar intimacy in *Isadora* and *Playground*) and yet these wild, ritualised steppings are precise, highly sophisticated.

They become even more fascinating when Burrows is joined by Lynne Bristow in duets to four of Mendelssohn's Songs without Words. It is undance as dance, and disquietingly touching as dislocations and awkwardnesses, crazy lifts and twists, achieve the subtlest effects. A foot slammed down, a hand extended, gain a significance and an emotional weight more usual in Eastern dance. Burrows is a superb advocate for this disorientated, almost autistic style; Lynne Bristow is revealed as a very considerable dance artist. The entire group of dancers, Jonathan Burrows and his collaborators, merit every thanks and encouragement.

Clement Crisp

Mukhamedov's Royal Ballet debut

Irek Mukhamedov will make his first appearance as a member of The Royal Ballet when he dances at the Queen Mother's 90th Birthday Tribute on July 19 at the Palladium. He will partner The Royal Ballet's youngest principal dancer, Darcey Bussell, in a new work, the pas de deux from *Winter Dreams* created by Sir Kenneth MacMillan for the occasion.

Mukhamedov will make his Covent Garden debut in the same pas de deux, which joins the Triple Bill already scheduled at the Royal Opera House on August 1,2 and 3.

The Bet

PURCELL ROOM

By intention *The Bet* is "a puppet music drama:" not by any means a *Nibelung's Ring* for marionettes, but a small fable which is narrated from one side of the stage, enacted by puppets in the middle and backed by an elaborate chamber-score for four players. It had a South Bank première on Tuesday, and will play the Almeida Theatre all next week. By intention also, it should be "suitable for adults and children;" but as it stands – at a tedious, gravely under-illustrated 65 minutes – I fear that it's a doubtful bet for either.

Yet the intentions of everybody involved are patently serious and thoughtful; and the genre itself seems full of promise, offering a unlimited possibilities in a modest frame. This time, the various creative components just haven't answered adequately to each other. The wager in question is made by a wandering Spirit of Unhappiness (female) with an old mother, whose son has taken her lucky ring with him while he seeks work: the Spirit bets that she can wheedle the ring from him, upon which the mother must forfeit her hope (as in "Hope").

Both things happen, in the fullness of time, but there is a happy ending. (Moral: hope for a daughter-in-law who, when humanised by marriage, will welcome you into a granny-flat.)

Elaine Feinstein's text is simple and schematic, in itself devoid of tension or surprise. Presumably those elements, and any characterful detail, were to be supplied by the composer and the puppeteers. And Erika Fox's decorative score for the Feinstein Quartet – flute, piano, bass and a panoply of percussion – is indeed prettily varied and suggestive, with musing solo cadenzas and the odd forceful *tutti*; but it isn't self-standing, nor cinematically explicit. It presupposes in its turn visible action, which it would colour and develop. Instead, much more often than not, while the music stretches itself everything else stops (unless the Narrator is still going on), and the drama drops yet another stitch.

I think Feinstein and Fox have been unluckily contracted to the wrong puppet-tradition, as represented by their director-and-designer John Roberts, Deputy Director of the Little Angel Marionette Theatre – a much-hyped British "flagship," admired by some adult aesthetes but remembered glumly by many a parent of small children. On one view, the art of puppetry is a branch of animation, with its own special excitements and constraints: the virtuoso puppeteer is one who can bring a handkerchief on two strings, or a squashed cigarette-pack, to comic and/or expressive life. In contrast the Little Angel has always seemed to view puppetry as a cottage-branch of sculpture, of beautifully hand-crafted artefacts which can manage a few sclerotic movements.

Of telling gestures or stance there are only rudimentary, stereotyped hints, and still less of the miniature-theatre conjuring that other modern marionettists can exploit so vividly. We are invited simply to appreciate these lovingly carved, stiffly manoeuvred dolls, and alongside them the *faux-naïf* tale, and beyond that – stranded in the interstices – Miss Fox's private, free-floating musical commentary. There may well be a rewarding "puppet music-drama" congealed here; but it will probably take Czech or Hungarian puppeteers to realise it.

David Murray

ARTS GUIDE

July 6-12

EXHIBITIONS

London

The Royal Academy. The 222nd Summer Exhibition – the oldest established and largest open submission exhibition in the world. Daily until August 19; sponsored by the Dai-Ichi Kangyo Bank.
The Tate Gallery. On Classic Ground – a large exhibition devoted to French, Italian and Spanish art of the first four decades of the century. Until September 2; sponsored by Reed International.

Paris

Centre Georges Pompidou. Andy Warhol. Some 200 works retrace the career of the multi-faceted artist who, born of Czechoslovak immigrant parents in Pittsburg in 1928, became one of the main representatives of American Pop Art. Closed Tue, ends Sept 10 (42771233).
Galerie Odermatt-Cazeau. 19th and 20th Century Masters. Ends July 28 (42669258).
Grand Palais. Pre-Columbian art in Mexico (1500BC – AD1521). Closed Tue, late closing Wed. Ends July 30 (42895410).

Martigny

Fondation Pierre Gianadda. Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the Italian-born artist. Open all days. Ends Oct 28 (26/223978).

Brussels

Fondation pour L'Architecture, 55 rue de L'Ermitage. Brussels, City of Architecture 1890-1958. Closed Monday.
Hotel Communal de Schaerbeek. Peintres de la Lys: Belgian Expressionist painters. Closed Sunday. Ends July 20.

Antwerp

Rembrandt Bugatti and Belgian Animal sculpture (1860-1930) closed Monday. Ends July 29. Hessenhuis, 53 Falconrui.

Rome

Galleria Nazionale d'Arte Moderna. Fabrizio Clerici retrospective. Ends Sept 16.

Florence

Palazzo Vecchio. The age of Masaccio: tying in with the reopening of the Brancacci chapel in the Church of the Carmine after a six-year restoration on the cycle of frescoes by Masaccio and Masolino, are 109 works by painters and sculptors who worked in Florence in the golden years between 1401 (the date of Masaccio's birth) and 1440. Ends Sept 30.

Naples

Castel Sant'elmo. In the Shadow of Vesuvius: Naples through the eyes of European artists between 1400 and 1800. Ends July 21.

Venice

Palazzo Ducale. Titian. Over 70 paintings are on show, lent by American, Russian and European museums. Ends Oct 7 and goes to Washington.

Bologna

Galleria d'arte Moderna. Giorgio Morandi retrospective. Over 200 works lent by Italian and foreign museums celebrating the centenary of the painter's birth. Ends Sept 2.

Mannheim

Städtische Kunsthalle, Moltkestr. 9. Emile Bernard, a painter always in the shadow of Van Gogh and Gauguin is honoured with a retrospective of 170 early paintings. Ends August 5.

Essen

Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibitions details the developments of Russia from a great empire to a European power. Ends Nov 4.

Madrid

Museo del Prado. Sanchez Coello (1531-1588). *Some 50 paintings* by this Spanish artist born in Valencia, predecessor of Velazquez. Ends July 30.
Palacio de Velazquez. Roman Bronze Objects in Spain. Over 500 objects from different Spanish museums. Closed Mondays.

Barcelona

Fundacion Caja de Pensiones. Edwuard Ruscha retrospective. Closed Mon. Ends July 15.

New York

Museum of Modern Art. The first retrospective in America in 25 years marks the 80th birthday of Francis Bacon.
Metropolitan Museum of Art: The Russian Taste for French painting, representing three centuries of French masterpieces from the Hermitage and Pushkin Museums. Ends July 29.
Museum of Modern Art. New York gets to see the internationally organised exhibit of Matisse's paintings and drawings from 1912 and 1913 during the critical period of his Moroccan stay. Ends Sept 4.

Washington

National Gallery. More than 90 prints by Edvard Munch show the Scandinavian artist at his most colourful and prolific.
Hirshhorn Museum. Paintings, drawings and sculptures from the Bay Area figurative movement of the 1950s and 1960s include works by Richard Diebenkorn, Elmer Bischoff and sculptor Manuel Neri among the 88 pieces on view.

Chicago

Art Institute. Before going to the Royal Academy in London later in the year, Chicago gets to see Monet's series paintings, including Haystacks, Poplars and Rouen Cathedral, all from the 1890s. Ends August 12.

Tokyo

Riccar Museum. Landscape Ukiyoe. Woodblock prints by Hokusai and Hiroshige, who established a new indigenous landscape tradition in Japan in the early 19th century, and by other artists pursuing the same genre into the present day.

SALEROOM

Family fortunes

A mysterious private buyer made Sotheby's day by paying good prices for three important lots in its auction of British paintings yesterday. He paid £902,000, over double the top estimate, for a conversation piece by John Zoffany featuring George Fitzgerald of County Mayo and his two young sons, one of whom, portrayed here happily flying a kite, was eventually hanged for murder in 1786. The painting sold for £105 in 1900.

The same bidder also secured, for £418,000, a portrait of John Whetham, High Sheriff of Nottinghamshire around 1760. It was commissioned by his friend Robert Holden and remained in the Holden family until yesterday. Another 18th century portrait, of Dorothea, Lady Eden, by Gainsborough went to the same new home for £74,800.

The auction was a success, totalling £3.2m, with only 13 per cent unsold. Another Gainsborough portrait, of Dr Richard Warren, physician to the Royal Family, made £159,000 and a Spanish buyer paid £99,000 for a David Roberts view of the Alhambra in Granada. A portrait of Anna Maria, Lady Lawley, by Lawrence, made £89,100.

Two watercolours by Thomas Girtin, found recently in a linen chest and in pristine condition, sold for £286,000 (a record for the artist) and £176,000, at Sotheby's yesterday. They were commissioned by Sir John Ramsden around 1800 and had stayed in the family. Their rediscovery is reckoned to be the greatest happening in the world of English watercolours for many years.

The Mentmore House sale by Sotheby's in 1978 produced a good crop of faulty attributions, surprising in a collection that had belonged successively to Baron Rothschild and Lord Rosebery. Yesterday Christie's sold a marble statue of Venus, now dated to the early 2nd century AD, for £71,500. At Mentmore, catalogued as a much later copy, it went for £900.

Another discovery in Christie's antiquity auction was a Greek marble portrait of the head of the Roman Emperor Antoninus Pius.It sold for £55,000. It had been found by Christie's Norfolk representative marking out the drive of a country house. The auction totalled £497,508, with 32 per cent unsold.

At Sotheby's in Chester a bronze figure of Turcer, the archer, by the late Victorian sculptor Hamo Thornycroft sold to the London dealer Peter Nahum for £23,100, as against a £1,800 top estimate.

Antony Thorncroft

FINANCIAL TIMES
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The rise of the pound

FOR once, the Treasury should feel deeply grateful both to leaks and to financial markets. With the appreciation of sterling over the past two months, the Government has acquired the benefits of a tighter monetary policy. It has done so without either raising interest rates or putting on the strait-jacket of full membership of the exchange rate mechanism of the European Monetary System.

Between its trough in the middle of April and last Tuesday the Bank of England's trade-weighted index for sterling appreciated by 8¾ per cent, before falling back a little yesterday. Against the D-Mark, the appreciation was 9.1 per cent (25 pfennigs), while against the dollar it was 11.7 per cent (19 cents).

As the Bank of England would say, this appreciation is decidedly "helpful" for the cause of counter-inflationary policy. But, to keep euphoria in check, the Bank would also point out that the appreciation has done no more than rectify the damage done by the depreciation at the end of last year and earlier this year.

On the trade-weighted index, sterling is now back to levels of a year ago, but it is still 5 per cent below its level at the beginning of 1989. Against the D-Mark it has regained levels last seen just before Mr Nigel Lawson's resignation on 26 October 1989, but it is 30 pfennigs below the peaks of early 1989.

It is widely assumed that increasing confidence in the imminence of ERM entry is the cause of sterling's strength. Certainly, the general assumption that the Treasury would want to enter the mechanism with a fairly high floor, combined with the interest differential in sterling's favour (just over 8¼ per cent, vis à vis the D-Mark, on three-month money), has certainly been a good reason to buy sterling.

Bandwagon effect

A rapid appreciation inevitably causes a bandwagon effect. But, in any case, sterling should appreciate until the prospective depreciation comes, once more, to offset the large interest rate differentials in its favour. Today's exchange rate and interest rate differentials suggest that sterling is expected to fall to about DM 2.75 a year hence. If the predominant opinion in the market were to be that entry will occur quite soon, that it will be on a wide band, with a floor above DM 2.75, and that UK interest rates will still be high at that date, then sterling should appreciate still further.

Recovered popularity

Prospective entry into the ERM is not the sole reason for sterling's strength. The fall of the pound mirrored that of the Government in the opinion polls, with the nadir reached at the time of the greatest heat over the poll tax and just before the local government elections in early May. The Government's popularity has recovered, as has that of sterling. The two are not unconnected.

The appreciation provides a welcome boost to disinflationary policy, but without making sterling markedly overvalued. If sustained, a spontaneously strong pound will allow the Government to make interest rate reductions that will, in time, be both economically desirable and politically convenient. By ensuring that entry into the ERM will occur at a fairly high rate, a strong pound would also limit the pressure to lower interest rates either too soon or, above all, too far. On balance, the squeeze inherent in a stronger pound should be welcomed, for the pain will lower inflation more quickly.

All this says something about ripe and unripe time. To the extent that expectations of entry have driven the market, the effects of disappointment could be dramatic. If the Government is, indeed, set on entry into the ERM this year, then the Madrid summit conditions on convergence inflation will not be met, but no matter. Entry on a broad band with the present rate close to the floor should provide an adequate disinflationary discipline, while neither preventing interest rate reductions when appropriate, nor forcing them when inappropriate. The risk must, in any case, be run, for it is inherent in the ERM. The time to put on the ERM strait-jacket is now as ripe as it is likely to get before the next election.

The party-state gap widens

MR GORBACHEV won his re-election as general secretary of the Communist Party of the Soviet Union after telling the delegates to the 28th Party Congress that many of them were out of touch with reality. He was strongest on international affairs, rounding on the voices which had lamented the "loss" of eastern Europe with the rhetorical demand: "Do you want tanks again? Shall we teach them again how to live?"

He showed less clarity on the home front. On the one hand, he criticised a "persistent lack of understanding of the need for a sharp turn to change our economic situation," declared that "the advantages of the market economy have been proven on a world scale" and promised that the government would submit a new economic reform programme to the Supreme Soviet in September: on the other, he pledged continuing defence of the "socialist choice" which the country is deemed to have made 73 years ago, and said he would never make common cause "with those who want to push the country back to capitalism."

He is thus re-elected on terms which are substantially his own but he may still face a backlash from the unappeased old left. The new Central Committee may contain more opponents than friends. Mr Gorbachev will also have to fight to ensure that he has as deputy general secretary – a new post – someone with whom he can work and whom he can trust not to plot to turn the Party against him when his attention is diverted to one of his numerous other functions.

Institutional changes

Institutional changes may be more important. Under proposals which Mr Gorbachev put forward at the beginning of this week, the Politburo is henceforth likely to be composed very largely of the Party leaders from the republics: while many of those who have high state posts – such as Mr Eduard Shevardnadze, the Foreign Minister and Mr Vladimir Kryuchkov, head of the KGB – have already said they would leave it.

He has thus widened the breach between Party and state on which any real reform of Soviet life and economy depends. The republican party secretaries will be consumed with the task of trying to ensure that their parties keep their heads above the nationalist tides sweeping most parts of the Union, and cannot be expected to provide much challenge to a general secretary as skilled and experienced as Mr Gorbachev now is. The government, and the presidential council of senior ministers and advisers, will sever all dual membership ties between themselves and the Party executive – except for Mr Gorbachev himself. At the same time as the restructured Politburo was proposed, Mr Boris Pugo, head of the Party's control commission, revealed that he had scrapped the units which used to supervise Party work in the ministries and other institutions. These reforms should mean the Party is further confined to the sidelines, gradually and reluctantly ceding space to new political forces.

Lowest popularity

How far any of this counts beyond the Kremlin walls is doubtful. The evidence on the streets is that the Communist Party has sunk to unprecedentedly low levels of popularity, and that Mr Gorbachev is dragged low with it. The Soviet people will have registered his commitment to yet another stab at economic reform and will grimly wait to see what this means for the roubles in their pockets which can never find enough goods to buy. The rest is theological discussion among the bosses.

This alienated anomie is generally seen as potentially dangerous: but it could be a source of health. For those communists who can still grasp reality, it is obvious that their Party is in no shape to face the democratic challenge which creeps up on them, and which Mr Gorbachev has so far encouraged. As the ambitious and talented learn that the route to advancement no longer leads through the Party and that independence of thought could bring reward rather than punishment, so the Party's position will worsen and democracy's improve.

ECONOMIC VIEWPOINT

Fiscal virtue under strain

By Samuel Brittan

The budget deficits of the main industrial countries have been shrinking steadily and in most cases are well below the level at which a debt trap is likely to develop. (A debt trap is a position where budget deficits spiral out of control simply to pay the interest on past borrowings.) But despite the optimistic impression given by the chart the world will be extremely lucky if the move towards balance continues at its recent rate and if a loosening in Germany is offset by a tightening elsewhere.

The chart plots the total government balances of the seven leading industrial countries represented at this week's Houston summit, as a proportion of GDP and weighted according to each country's relative economic importance. The measure is different from the headline figures presented by some finance ministers, for it includes regional and local authorities. But, unlike the British Public Sector Borrowing Requirement, it excludes the nationalised industries.

The main difference made by the OECD definition is that it puts the US in a better light. Both conventional and OECD figures show a strong trend to improvement since the bloated US budget deficits of the mid-1980s. Actual deficits have fallen somewhat; and the growth of GDP has helped to push the deficit ratios down even more. For, on the OECD estimates, the US general government deficit of 1.3 per cent of GDP is only slightly worse than the Group of Seven average of 0.8 per cent.

It is surely encouraging that at the first sign of the budget deficit exceeding these projected trends that President Bush retracted his notorious no-extra-tax ("read my lips") promise in an attempt to hammer out a compromise budget package with Congress.

There are gloomy US budget watchers who say that the fiscal arithmetic is worse than it looks (a) because the surpluses of states and local authorities have been swollen by the balances of pension funds and (b) that the federal deficit is itself artificially reduced by nearly $70bn per annum of social security fund surpluses. All the same, these sums are genuine savings. Another bone of contention is the off-budget treatment of the cost of rescue plans for the savings and loan associations.

In any case the US budget deficit is pretty certain to be overtaken by the German one as a ratio of GDP. The OECD expects the all-German budget deficit to reach 3 to 3½ per cent of GDP in 1991 as a result of the incorporation of the East German public deficits and of the setting up of a special Unity Fund to finance reconstruction in the east. The president of the Bundesbank has given his own unenthusiastic blessing to the increase on the strict understanding that it is temporary and that monetary policy will be tight enough to dampen down most of the inflationary effects.

The UK by contrast has a government surplus exceeded only by Japan with the G7, and by Sweden, Finland, Australia and Norway among outside countries. But the OECD expects this surplus, which already peaked in 1989, to run off almost completely by 1991 – which would mean a small deficit measured by the more familiar Public Sector Borrowing Requirement. The surplus will be a victim of the delusion that "caring Toryism" can be had on the cheap.

The common-sense conclusion would be that countries with fiscal deficits should press on towards balance except when there are truly exceptional extenuating circumstances, as in the case of Germany. For although modest deficits would be compatible in most countries with a stable debt to GDP ratio, a margin in the hand is useful for contingencies. Moreover the stronger the underlying budgetary position, the greater is the scope for allowing a swing into deficit during a recession.

Nevertheless many in the international economic establishment do not think this aim good enough and would like to see budget surpluses built up. One way of putting the case is the supposed need "to take some of the load off monetary policy" during a period when inflation is more of a likely danger than inadequate demand. An even more fashionable way is to point to an alleged world savings shortage.

The record here has not been nearly as dismal as often portrayed. Gross national savings ratios in the G7 averaged about 21 per cent of GDP – a modest drop from 23 per cent in the early 1970s, but a slight rise from 20 per cent in the mid-1980s. Most of the complaints about a dramatic drop in savings confuse total national savings with personal savings, which are only one component. For instance the UK national savings ratio was about the same in 1981 and 1988, yet personal savings fell dramatically from 13 to 4 per cent of GDP.

It is not savings that have fallen but desire to invest that has risen. The OECD estimates that long-term interest rates have, as a result, risen by 1 to 1½ per cent since last autumn in Europe and Canada.

Many countries are working near the limits of their industrial capacity, while world productivity growth is still well below the rates achieved before the 1973 oil crisis. Another call on savings is the need to finance the current balance of payments deficits of countries such as the US, UK, Australasia and some of the smaller European countries. There will also be the burden of financing reconstruction in eastern Europe, apart from eastern Germany. The OECD also hopes that "new investment opportunities will arise in developing countries that pursue sound policies and market-oriented development strategies." It could have added that the falling current payments surplus in Japan will reduce available savings. But this was foolishly insisted upon by the US Administration and indeed many mainstream economists.

Against these pressures the one potential source of relief is the "peace dividend". This is, of course, of uncertain size and timing and in any case offset several times over by the claims to make use of it for social and environmental spending.

Should governments then try to add to national and world savings totals by aiming for budget surpluses either to relieve inflationary pressures or as a long-term contribution to world savings?

The overwhelming argument against such fiscal activism is that higher public saving is often offset by lower private saving. The UK is not the only country where a shift from budget deficit to surplus has been offset in this way. The Swedish general government balance has swung from a deficit of nearly 4 per cent of GDP in 1985 to a surplus of 4 to 5 per cent; yet the payments deficit is now much higher as is inflation. Australia has also seen a dramatic switch from deficit to surplus in the budget since the mid-1980s; but its current payments deficit remains at about 4 to 5 per cent of GDP.

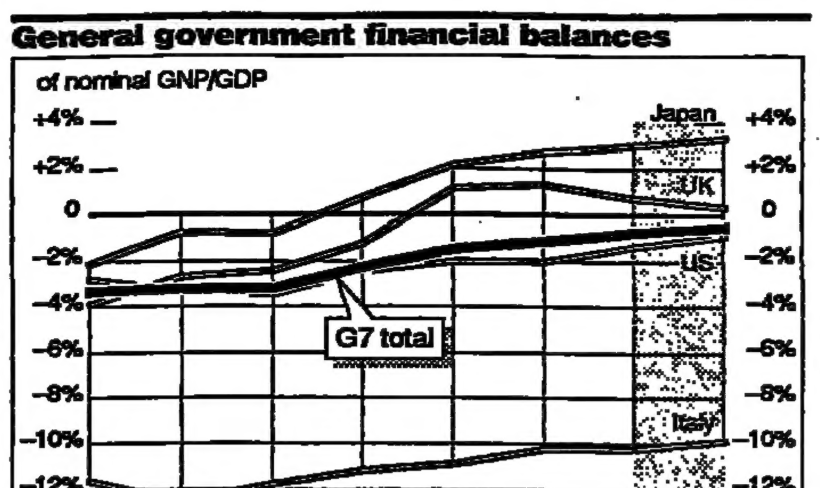
There is no need to argue that *all* the impact of fiscal tightening would be offset in all countries. Higher taxes do have undesirable effects; and to undergo them for the sake of a very small contribution to increased savings or counterinflation would be a pretty poor bargain. Moreover the politics of the operation are unconvincing. Large budget surpluses are almost certain to be raided by spending ministers, unless there is a scarcely credible agreement between government and opposition to keep them intact. The political temptations are strengthened by the plethora of contradictory economic arguments about the true effects of budget surpluses. One has only to recall the recent City arguments that UK surpluses were inflationary because of the side-effects of repaying gilts.

The simplest goal for fiscal policy is a public sector balance not dependent on privatisation and achieved over the average of a business cycle. This would allow budgets to go into deficit in recession and surplus to accumulate in booms. The emphasis should not be on adjustments to distant benchmarks when full employment supposedly prevailed but on the cyclical element in recent changes. The task of removing budget deficits should begin without waiting for an economic recovery to some presumed trend.

A budget balance achieved over the cycle would allow most countries a modest continuing reduction in their debt ratios and would be more ambitious than anything achieved since the Second World War. It is not optimal in any technical sense, but it is as good or better than anything likely to be achieved in the OECD world.

The simplest goal for fiscal policy is a public sector balance not dependent on privatisation and achieved over the average of a business cycle

General government financial balances



"Tax gap"

% of GDP			
US	+0.2	Belgium	–1.2
Japan	–3.5	Denmark	–2.7
W.Germany	–2.9	Finland	–2.4
France	–0.1	Greece	+9.1
Italy	+4.6	Ireland	–1.7
UK	–1.8	Netherlands	+1.9
Canada	–0.4	Norway	+0.3
Australia	–2.1	Spain	–0.1
Austria	–0.4	Sweden	–5.0

The "tax gap" shows how much revenue has to be increased or spending cut to prevent the debt to GDP ratio from rising. Countries with a positive gap need to increase revenue. (The German estimate excludes reunification effects).

Source: OECD, June, Economic Outlook

BOOK REVIEW

Poking fun at the Tories

CONSERVATISM
by Ted Honderich
Hamish Hamilton, £16.95

Ted Honderich, Grote Professor of Philosophy at University College, London, makes two strong claims in this "bare knuckles" attack on the British Government. The first is that Conservatism as a political creed is philosophically bankrupt. There is no unifying idea behind it; nothing to justify its loyal support over the centuries. The second, which is of more immediate relevance, is that a decade of Thatcherism has degraded the British people.

Honderich was born in Canada but sailed to England as a young student in order to "sit at the feet" of A J Ayer, the celebrated expositor of logical positivism. He did not go home partly because he found in Britain a unique decency and generosity of feeling. By this he means an "uncondemning comprehension of the lives of those who are without the luck of family endowment or an edge of competitiveness to their personalities or simply health, and some real willingness to enter into arrangements for their help."

In his view, the Thatcher Government has weakened and confused this spirit since 1979. By assuming that people are primarily self-interested, it has made them become so. It has fostered greed and selfishness. Honderich concludes an emotional section on Britain's degradation thus: "I should not myself choose to be a child or grandchild of a member of a government which set out to drag down, in so far as it could, the character of a people."

Is Britain really a harsher, nastier place? The distribution of income and wealth is certainly less equal. More people are living in cardboard boxes. The profit motive is exerting a stronger pull, especially among the young.

But Honderich fails to balance his argument by conceding the flaws in pre-Thatcherite Britain. It may have been a nice enough place to teach philosophy to a middle-class élite, but the economy was in relative decline partly because people were so openly contemptuous of commercial life. With top rates of tax on unearned income of 98 per cent, there was a case (perhaps weak) for placing less emphasis on equity and more on efficiency. Honderich does not address such arguments. His complaints, which may reflect the steep fall in the prestige and pay of dons, do not therefore carry much conviction.

What about the broader attack on the coherence of Conservatism? Honderich argues that left-of-centre parties are committed in some broad sense to a "principle of equality." They do not (unless they are mad) want to make everybody literally equal, but they do seek to alleviate distress and frustration. Their goal is "to make well off those who are badly off."

Conservatism, by contrast, has no unifying purpose. Honderich runs through various possibilities. May it be defined through its opposition to change? Hardly, as he indicates: the past decade has shown that Conservatives strongly back certain kinds of change. Is it the party of freedom? Not really because although it favours extensive economic freedoms, it has a weak record in promoting civic and social freedoms.

The most promising candidate as a rationale for Conservatism is the "principle of desert." By this Honderich means that "each individual is to get what he or she deserves on account of personal qualities, or his or her actions and activities." This seems to capture a lot of Conservatism, especially the notion that inequalities are just because they reflect differences of effort as well as of endowment.

The trouble, however, is that desert is an extremely vague concept. We can be said to deserve a lot of things, many of which would horrify most Conservatives. Poor people often deserve more money. The unemployed frequently deserve jobs. We all deserve more capable leaders. At best Conservatives can be said to favour certain ill-defined kinds of desert.

The end of the trail is thus a blank. Honderich concludes that Conservatism has "nothing to say for itself." It is, he argues, a political doctrine designed to protect the interests of a comfortable minority. "Their selfishness is the rationale of their politics, and they have no other rationale."

As a critique of traditional, hierarchical Toryism, Honderich's polemic has considerable force. Towards the end, he gleefully quotes a passage in which Burke, the Tory Party's patron saint, argues that the state would suffer "oppression" if the likes of hair-dressers and chandlers were permitted to play a part in its governance. In the 1990s, such notions of deference and social order seem peculiarly archaic.

But the book is less convincing in its analysis of Conservatism's recent past. By championing markets, Thatcherites, to a limited extent, became destroyers of privilege and tradition. Old guard Toryism would never have wanted to challenge the working practices of barristers or hospital consultants. Much of Honderich's argument is sound, but the world outside his study is somewhat more complex than he suspects.

Michael Prowse

OBSERVER

The politics of music

■ There had been much talk about money and achievement, but you cannot live without food. With that self-evident truth, Lothar de Mazière, Minister President of the German Democratic Republic and soloist in Telemann's viola concerto in D Minor, invited 1,800 "Ossies" (the current diminutive for East Germans) and 200 over-dressed "Wessies" (West Germans) to tuck in to a post-concert feast at last Saturday's opening of the first Mecklenburg Vorpommern music festival in Greifswald.

The talk about money had been delivered by Dr Eckart van Hooven, chairman of Deutsche Bank. Yes, there had been a shock to the system, but we are lucky that our difficulties with each other today are very different from those of a year ago. A summary, also short, about achievements came from West Germany's President Richard von Weizsäcker, who by his very presence and manner dignified this immersion of culture into politics.

Orchestrating the performance, and doing his share with a Mozart piano concerto, was the international pianist Justus Frantz. For all his words about music being an ambassador, he has a refreshing inability to distinguish the boundaries of culture and politics, and seems to have a profound understanding of both. He has now expanded his Schleswig-Holstein music festival eastwards, taking with him the organisation and sponsors.

Despite its appearance of being an East German product, the Mecklenburg Vorpommern festival is very much West German, from the blue-chip sponsors to the beer at the west-financed feast. Perhaps it is the sum of the new Germany, like the red VW Polo prominently parked outside Greifswald's St Nicolai Cathedral, the massive spire of which floats upwards in the romantic paintings of the Hanseatic town's favourite son, Caspar David Frederick. The Polo, first off the new production line in East Germany, was a gift to the viola soloist.

Another cup

■ "That isn't what I ordered," an elderly American told the waitress in a Lambeth cafe when she returned to his table carrying a tray. "I asked for coffee *and* milk, and that is coffee with milk added."

"So what's the difference?" the waitress asked. "My dear girl," the American said, "does woman *and* child mean the same as woman *with* child?."

Lucky boy

■ He's been called " Lucky " Luckwell, and yesterday his luck was still holding. Mike Luckwell, former Stock Exchange blue button and feature film tea boy who sold his stake in Michael Green's Carlton Communication in 1986 for £25m made some more money yesterday.

He sold his 5 per cent stake in TV-am the breakfast television company for £6.7m. That was nearly 50 per cent more than he paid for the stake in May 1988. Earlier this year he resigned as chairman of Parallel Media Group, a sports sponsorship and television distribution company and sold his shareholding for a profit of £2m. The disposals suggest that he is clearing the decks for a run at an ITV franchise so that the 48-year old Luckwell can make some really serious money.

The man who built up the Moving Picture Company before it was acquired by Carlton said yesterday he was interested in either acquiring a commercial television company before next year's competitive tenders or taking part in the bidding round for a franchise somewhere in the south of England. Luckwell insists, however, that he intends to hold onto his 5 per cent stake in WPP, owners of J Walter Thompson and Ogilvy & Mather, which is worth £13m. Even here he has been lucky - so far. He bought the shares at £3 each after the market crash. They now stand at £6.18.

"Can I borrow the car keys? I'm going into Europe

Trouble

■ Sir John Harvey-Jones, the former ICI boss turned TV company doctor, was in fine fettle yesterday opening the new Hemel Hempstead headquarters of FI Group, one of the more unusual UK computer software houses. Founded in 1972 by British Computer Society president Mrs Steve Shirley, it is run almost entirely by female women software experts.

Renowned for using very little office space, since its programmers and systems analysts work at home or at its customers' sites, it seemed like waving a red rag at a bull to invite Sir John to open a splendid new building, brim full of offices. However, FI calls them work centres, which seems good enough for Sir John. Anyway he tells me that demands for his appearance at these types of functions have shrunk since he found wider fame as as the BBC's "Troubleshooter", going into companies under the eye of the television cameras and telling them bluntly where they were going wrong.

A little less

■ The title of one of Jeffrey Archer's UK bestsellers - *Not a Penny More, Not a Penny Less* - might easily describe this week's mystery over the Tory author's latest deal, a three-book-plus-film rights package said to have fetched around $20m.

HarperCollins, Rupert Murdoch's New York-based publishing house, has been crowing about the deal while others have heaped scorn, mirth and scepticism on the reputed sum of money. Archer himself is said to have claimed he turned down a $20m offer some time ago, implying the new deal is even higher. This is not taken in New York publishing circles as the word of Kane or Abel.

"This package doesn't include the UK rights, where Mr Archer is a genuine best seller. He just doesn't sell that well here in the US," said the chief of one big publisher. "Let's just say that Jeffrey is not held in terribly high esteem here in America and I don't think many pillows are being creased by crocodile tears at rival houses," another veteran New York publisher smirked.

The $20m figure is believed by some, but not many, and neither Mr Archer nor HarperCollins are talking. But publishers say that much higher per-book advances are regularly paid to a range of other pot-boiler authors such as Robert Ludlum, Jackie Collins and Stephen King.

Tough match for Argentina

Gary Mead looks at President Menem's first-year successes and the problems ahead

On Sunday evening Argentina's president, Mr Carlos Menem, celebrated the first anniversary of his presidential inauguration by appearing on a prime-time TV chat show. The subject was not an in-depth assessment of his neo-Peronist government's first 12 months, but a blow-by-blow moan about West Germany's 1-0 victory against Argentina in Rome's World Cup soccer final. In his customary smiling fashion, Mr Menem, Argentina's leading football fanatic, accused Mexican referee Edgardo Codesal of bias against Argentina, a highly disputable allegation.

But no matter. Mr Menem's judgment may have been faulty, but for the vast majority of Argentines his nationalist spirit was what counted. Mr Menem once again showed himself adroit at that most necessary of all qualities for political survival in Argentina – a feeling for the mood of the moment, a common touch attuned to popular sentiment.

If he possesses a single characteristic which might see him through his remaining four years in the Casa Rosada, it is his willingness to shape himself and his policies to the perceived dominant current. Mr Menem calls it pragmatism. His many enemies term it a sell-out.

But although Mr Menem was elected from the ranks of Peronism, Latin America's very own chameleon-like version of national socialism, his pre-election promises were so broadly defined as to be meaningless. It is difficult to label him a turncoat; beyond vague promises of improved living standards and re-asserted national pride, he had no platform.

Once in office, those hints of future bread and circuses evaporated. But despite his many contradictions, many Argentines may look back on Mr Menem's erratic and often unconsciously risible first year as a turning-point for their self-savaged society.

One year ago Argentina was so low, there was scarcely any direction to go but up. It is now almost forgotten that Mr Menem took over government five months early, as the Alfonsin administration impotently floundered amidst the chaos of nation-wide food riots and monthly inflation of almost 200 per cent. A return to authoritarianism was then a tangible prospect. Simply to have survived was a notable victory for Mr Menem where, at the same time, rebellious quasi-fascist colonels continually sniped from the safety of the sidelines.

Dissident colonels have not entirely faded from the scene. But they are weaker than at any time since Argentina's defeat in the 1982 Falklands war with Britain. According to unofficial estimates, in 1990 the armed forces face a 30 per cent budget cut, from 1989's relatively low level of 1.84 per cent of gross domestic product, itself half of 1981's figure.

Mr Menem has placated the military. Their calm is largely due to his having last October pardoned all but a handful of those involved in three military rebellions in 1987-88, and the "dirty war" disappearances of at least 9,000 people.

But it is also due to Mr Menem's determination to reintegrate the military into Argentine society. This year he backed the first military parade on Independence Day, July 9, since that of 1978, under General Jorge Videla's dictatorship. Being allowed to play with the toys, right in the centre of Buenos Aires, restores military self-esteem and reduces frustration.

Mr Menem's pardon once more demonstrated his intuitive resonance with Argentine sentiment. Most Argentines, sadly for overseas human rights activists and the shrunken domestic left-wing, do not give two centavos for the "disappeared."

Mr Menem has weathered military, personal and economic storms, including a second hyper-inflationary eruption in December 1989. In dealing with that, he once more flouted sectoral interests, in this case those of financial speculators. The urgent need was to put an end to exchange rate chaos. In two years, the austral has plunged from 10 to 5,000 to $1.

That the austral has now stabilised for almost four months is due to an audacious scheme largely master-minded by Mr Domingo Cavallo. As Foreign Minister, he had by February this year already notched up another remarkable success, restoring diplomatic relations with Britain, broken since 1982.

But Mr Cavallo also has an economic planning role. His January scheme involved government confiscation of the vast majority of seven-day austral bank deposits, in exchange for which account holders received 10-year dollar-denominated interest-earning bonds.

Glyn Genin

Menem: common touch still in tune with popular sentiment

That immediate, and so far lasting, freeze on cash circulation, combined with a refusal to print more currency to bale out bankrupt state companies, slashed Argentina's money supply and restored some financial calm. Foreign currency reserves have recovered to more than $2bn. In May, Argentina was officially welcomed back into the International Monetary Fund's (IMF) good books. The new IMF seal of approval unlocked a previously suspended stand-by credit of $920m.

After two years without any interest payments on their $38bn share of Argentina's $62bn foreign debt, commercial bankers also have some cause for joy. At the last steering committee meeting of Argentina's commercial bank creditors, a leading US banker remarked of the Argentine negotiators, "at least the old arrogance has gone" – a view supported, no doubt, by the Menem government's agreement to make token monthly payments of $40m on commercial bank debt.

Mr Menem has topped those achievements with a spectacular success in his privatisation programme. Sixty per cent of the notoriously inefficient telecommunications company ENTel was privatised at the end of June, resulting in an immediate annual saving to the government of $1.46bn, the sum ENTel lost in 1989. More important, the terms of the deal enabled Argentina to clear more than $5bn of debt in Latin America's largest debt-equity exchange to date.

The metamorphosis was furthered last week with the Buenos Aires summit between President Menem and President Fernando Collor de Mello of Brazil. Hard on the heels of President Bush's recent initiative to promote freer trade across the whole continent, the two leaders revived a dormant 1986 co-operation treaty, aiming at a common economic community by 1995.

"I think that what we are seeing is the end of Argentina's adolescence. Of course, this place will never be Switzerland, but what Menem has done is to effect a very deep change in the nation's psyche." But that optimistic view of an Argentine banker must be offset by clouds in the otherwise clearing skies.

Mr Menem has so far not had to face much organised political opposition, an enviable position which is unlikely to last. The defeated Radical Party, still nominally led by the thoroughly discredited Raul Alfonsin, has spent the last year licking its wounds, promising but failing to conduct a post-mortem.

While many in Mr Menem's own Peronist party deeply dislike his espousal of modern capitalism, few are prepared openly to say so. Some of those who most opposed his nomination for the presidency, like Mr Jose Luis Manzano, leader of the Peronist bloc in Congress, have trimmed even more than Mr Menem, joining his bandwagon.

Nor has Mr Menem faced any serious trade union opposition, despite considerable disgruntlement at his indifference to the hopes of that bastion of Peronist power. Peronism is as broad a church as Radicalism; neither has developed a focal point for a credible anti-Menem opposition.

That as yet absent centre of discontent is likely to emerge as a result of the serious social consequences of Mr Menem's austerity programme, which needs years, rather than months of implementation before any upturn becomes apparent. Public health, education, housing and other social services have long passed the point of bankruptcy. Inflation is still smouldering at a monthly 14 per cent, despite an IMF-agreed target of 2 per cent a month between June and December. More than a quarter of the 12m workforce is either unemployed or working short time. Business confidence has not recuperated to the point where $40bn of flight capital might return.

Large-scale corruption at the highest levels of government is still the order of the day. The administration has procrastinated on legislation to reform trade union power. A Bill to curtail politically motivated industrial action has disappeared into the depths of Congress, from whence it may never re-emerge. Mr Menem promised to pursue and prosecute tax evasion – Argentina's version of malaria – which cripples the country but could be wiped out overnight if anyone was truly concerned to do so. That too has dissipated. The most difficult but essential privatisations, of the daily $1.5m loss-making railways in particular, are yet to come.

Thus it is only two cheers for Mr Menem. One is for having survived at all; two is for having made a fair start. His mandate has another four years to run. In this match he is referee, goalkeeper, and centre-forward and will have only himself to blame if the result is not in Argentina's favour.

Corporate governance

Why management must be accountable

By Sir Gordon White

You hire a lawyer to fight the facts of the case. If you want opinion, call the expert witness. Mr Martin Lipton is a New York lawyer, a breed not normally known for altruism. In his article, "An End to Hostile Takeovers and Short Termism" (June 27), you don't get facts, you get opinion. To counter-balance this role reversal, I take the stand as the expert witness and deliver some facts.

The essence of Mr Lipton's case is that the behaviour of institutional shareholders puts undesirable pressure on company managements, namely to perform in a superficial, short-term manner to avoid hostile takeovers. He claims this is bad because management is thereby prevented from acting out its long-term strategy. His remedy is to give company directors five-year terms to immunise themselves from these distractions and to make hostile takeovers more difficult to achieve.

The real issue is the position of bad managements. Poor performance makes them, justifiably, vulnerable to hostile takeover

This argument raises many more questions that it seeks to answer. Who benefits from protecting incumbent management? Who should judge whether management is good or bad? Who believes the long-term strategy will be correct if the short-term decisions have been wrong? Who is to say that the rewards of failure should be greater than the rewards of success? If your answer to these questions is that the management should be its own judge, you are in Mr Lipton's camp.

My view, to the contrary, is that management must be accountable to the shareholders. The conflict arises principally when the managers are not the owners, typically in mature industrial public companies where founding entrepreneurs have been superseded by the hired hands. Some managements may owe their position to a certain deftness in climbing the organisational ladder rather than their business acumen, drive and vision. They have quite different qualities to the founding spirits behind the original enterprise and come in two sorts: good and bad. There are many current examples of both.

There is no reason for a good management to be pressured by the shareholders for unreasonable short-term (or unreasonable long-term) performance. It should be robust enough to follow its own course. It must be capable of communicating with its shareholders and keeping them informed of its plans and business philosophy. There are a large number of companies which are regarded, by and large, as well run. Of course, these companies can be taken over as the result of a hostile bid but the shareholders can and do demand a very high price. And what is wrong with that? Are not the shareholders entitled to judge?

The argument that the company suffers is spurious. The successful management is transferred to new ownership or, if the acquisition is misguided, released to be effective elsewhere. And there is no shortage of opportunities for good management.

The real issue is the position of bad managements. Poor performance makes them, justifiably, vulnerable to hostile takeover. It may well be that institutional shareholders are reluctant to use their powers to replace them, and it is rare indeed to see poor management giving way to better on its own volition. It is much more usual to see bad top management promoting clones of itself in its corporate hierarchy which causes the younger talent to percolate away.

Stock options and incentive schemes are an appropriate and justifiable reward for the able, but rolling service contracts insulate the incompetent. Furthermore, under-performing companies are frequently typified by high top salaries, share options confined to a handful of apparatchiks and generous golden parachutes.

The incumbent management know how to look after themselves even if the cupboard is bare for their shareholders. This results in their becoming legitimate takeover targets for energetic managements bent on improving the performance of their assets. Takeovers in these cases are almost invariably hostile. They would be, wouldn't they? In fact, the term hostile takeover is misleading. All takeovers are agreed between the shareholders; the hostility comes from the incumbent management – sometimes with just cause but frequently not.

Mr Lipton makes much of a distinction between "agreed" and "hostile" takeovers, although it is clear he has made his reputation as a defender of incumbent managements. Efforts are made to label agreed offers (i.e.: agreed between managements), usually incorporating protection for managements, as good, while hostile offers (because they challenge management's record) are deemed to be bad.

Managements may owe their position to deftness in climbing the organisational ladder rather than business acumen, drive and vision

Institutions tend to be reluctant to intervene in corporate affairs and that reluctance may assist the agreed deal greatly, but being easier does not make it right or better. It is often not at all clear that the shareholders' interests are the only points of consideration. By comparison in terms of corporate democracy, a hostile offer conducted in public, rather than behind closed doors, involves all the shareholders in the choice between new and old managements. Now that is an exercise in corporate governance.

The author is chairman, Hanson Industries, New York.

LETTERS

Help for small investors

From Mr Fred Carr.

Sir, I write as a private client stockbroker concerning the report ("Treasury urges cuts in share deal costs," July 5) of the "challenge" from the Treasury to City stockbrokers to lower costs and make the equity market more accessible to small investors. It was also suggested that we should sharpen our marketing skills to entrench the shareholding habit.

Both propositions are questionable. First, the commissions charged by stockbrokers have to pay for all manner of extra work arising before and after a transaction, for which it is wholly impractical to invoice separately. Half a day spent in a private client stockbroker's office would make this obvious to anyone.

Second, marketing is not so much about creating needs but converting needs into wants. There is little point in trying to create a want for something that is not needed by most small investors. What many of them probably need, and it cannot be put any stronger than that, is to have a greater proportion of their net marketable assets in equity-based investment.

The use of individual shares is seldom a satisfactory way to achieve this, because of the likelihood of incurring a higher degree of risk than a professional investor would find acceptable.

Quite apart from this, we should not be proselytes for wider share ownership. If we are to improve (or salvage) our professional reputation, we must not be biased in favour of individual shares, but must give objective "best" advice on the suitability of all forms of investment.

Shares, when all is said and done, are only a means to an end, not an end in themselves.

Fred Carr,
W.I. Carr (Investments),
1 London Bridge, SE1

The Third World and the UN

From Professor H.W. Singer.

Sir, There can be no quarrel with the conclusion of your editorial comment ("Managing the new world," July 9) that it is time now to restore the United Nations to its assigned place in world affairs. In fact we have been suffering for many years from the black hole in the Bretton Woods system where the UN ought to be.

However, not many people in the South and not everybody in the North will agree with your diagnosis, attributing the ineffectiveness of the UN, apart from the Cold War, to the bad behaviour of Third World members who you say "use it as a forum for denouncing the real or imagined crimes of imperialism rather than for seeking effective international co-operation."

The developing countries have been pressing in the UN for debt reduction, stabilisation of commodity prices, better access to markets in the OECD countries, etc. Even if the rhetoric may have been aggressive, the matters which they propose are not without substance. In fact there are some signs that the governments of the North are coming round to accepting some of the demands of the South as justified.

H.W. Singer,
Institute of Development Studies,
University of Sussex,
Brighton

Checking phantom phone calls

From Mr George Riches.

Sir, One of the causes of the problem reported by Emma Tucker ("Mystery of phantom phone calls," June 30) lies in the procedure used by British Telecom to investigate complaints about billing.

BT, like other telephone service providers the world over, uses special call-logging equipment within the subscriber's local telephone exchange to monitor the calls made to and from the complaining subscriber.

The information produced by this equipment is then assumed to be conclusive evidence as to what calls the subscriber has actually made.

A problem arises if there is a fault between the subscriber's premises and the local exchange. In such cases the output from the normal billing equipment will agree with that from the call-logging equipment – but both could be wrong.

This phenomenon of a fault affecting both the normal and the test procedures is aggravated in many modern digital exchange designs, where the same hardware and similar software is used to produce both the normal billing information and the call-logging information.

A more convincing test of whether BT's equipment is at fault would be to temporarily install call-logging equipment in the subscriber's premises and to compare its output with that produced by the normal billing procedure.

George Riches,
44 Bonham Road, SW2

Excess inflation must be curbed

From Professor D. McWilliams.

Sir, Mr Austin Mitchell (Letters, July 9) seems to have learned nothing from the painful experience of the 1970s: treating the symptoms of inflation through perpetual devaluation may be attractive politics, but it is no substitute for tackling the underlying disease.

He does not seem to understand that inflation is at the root of the short-termism and high interest rates that are such a handicap to British business and particularly to the manufacturing sector.

Indeed, most of the appreciation in the so-called "real" exchange rate since 1976 quoted by Mr Mitchell has been caused not by a rising exchange rate but by high UK inflation. The pound has actually fallen by 36 per cent against the yen since 1976.

With full membership of the European Monetary System likely in the short term we in the UK will have the choice of eliminating our excess inflation or becoming increasingly uncompetitive. Our current inflation differential with Germany, if it persisted, would cause a worsening of UK competitiveness with Germany of 25 per cent by 1995. This would wreck swathes of manufacturing industry. So the excess inflation has to be curbed and we will be publishing a report on how best to do this shortly.

Mr Mitchell's preferred alternative is perpetual devaluation. This is a Dr Feelgood remedy that postpones the pain in the short term by making the problem worse in the longer term. Only to those for whom short-termism is a way of life can it seem the best option.

Douglas McWilliams,
Chief Economic Adviser
Confederation of British Industry,
Centre Point,
103 New Oxford Street, WC1

Engineers and industry

From Mr Ron Kirby.

Sir, The survey quoted by Mr Sabry-Grant (Letters, July 4) also reported that "as many as 70 per cent of graduating engineers opted for a career in industry." That statement shows the survey results in a different light.

On May 23 the FT published tabulated figures from a first destination survey covering all first degree engineering graduates entering UK employment in 1988. Some 78 per cent went into manufacturing and other industry; 12 per cent into accountancy and other financial areas; 7 per cent into public service; 2 per cent were classified as "others"; and 1 per cent went into education.

Ron Kirby,
Director of Public Affairs,
The Engineering Council,
10 Maltravers Street, WC2

Unlocking a rush-hour route

From Mr G. Ford.

Sir, With reference to Observer's note ("Hard driving," July 5), this company has been a resident in Heron Quay (adjacent to Canary Wharf) since January 1989. We are Lloyd's insurance brokers and our minibus has travelled to Lloyd's in Lime Street each day five times per day, during rush hour and throughout the day.

Our experience on a journey shorter than that quoted is: best time 15 minutes, average time 20 minutes.

We were not asked to participate in any survey and can only conclude that Peat Marwick McLintock (11 minutes from the Bank of England to Canary Wharf in the morning rush hour) have unlocked a route unknown to us.

Perhaps they could publish this route as we are sure all inhabitants of Heron Quay would be most thankful for the information.

G. Ford,
Managing Director,
Brown Shipley,
4 Heron Quay, E14.

FINANCIAL TIMES
Thursday July 12 1990

Italy ready to approve bank reform

By John Wyles in Rome

ONE OF the most important reforms of the Italian banking system since the mid-1930s looks set to clear parliament today after two years of gestation which were seriously complicated by the vexed issue of privatisation.

The so-called "Amato Law" (after Mr Giuliano Amato, the Treasury Minister who sponsored the proposal in 1988) clears the way for the entry of private capital into the vast majority of Italy's 1,000 or so publicly owned banks and savings banks.

It encourages the public banks to transform themselves *into joint stock companies*, offers tax incentives to bank *mergers and creates* the legal structure for "polyfunctional" banking under the umbrella of a bank holding company.

The legislation is seen as a vital element in the race to equip Italy's fragmented, politicised and scarcely profitable banking system with some of the qualities needed to compete in the European Community's new internal market.

It is expected to trigger a significant wave of bank mergers, particularly between the hundreds of small, rurally based local savings banks.

Since many of these form part of the foundations of the power base of Italy's dominant party, the Christian Democrats (DC), the issue of privatisation loomed large over the Amato law, and for a time substantially hindered its parliamentary progress.

DC pressure proved strong enough to overcome both the Treasury and the Bank of Italy's resistance to a clause which establishes a 51 per cent minimum state holding in the public banks.

Majority private ownership can only be conceded in exceptional circumstances by a decision of the Italian cabinet in consultation with the central bank.

Although the political parties will still be in a position to determine appointments to the top banking jobs, it is held that the new law will make it virtually impossible for the banks to be used as a source of cheap finance for the public sector as *they were in the 1960s and* 1970s.

Around L1,800bn ($1.48bn) has been allocated by the new law for the government to participate in the capital-strengthening operations which are badly needed at some of the largest public banks, notably Banco di Napoli and Banco di Sicilia.

The issue as to what proportion of bank capital can be owned by private industrial companies has still to be determined.

China tries U-turn to salvage its tottering economy

By Colina Macdougall in London

CHINA HAS announced a new plan to salvage its tottering economy and stimulate production.

Combined with earlier measures to pump in funds to relieve a cash crisis, it is effectively a U-turn from the "austerity policy" imposed in autumn 1988 to slash inflation and is likely to lead to more of the "stop-go" cycle which has afflicted China throughout the 1980s.

*Li Peng, the Premier, speak*ing yesterday on television, declared that the government would adopt a five-point plan for the next six months. He *admitted that the situation* was serious, and that the retail market was sluggish, industrial products overstocked, productivity down and government revenue inadequate.

This plan appears to contradict the policy put forward by Wang Bingqian, the Finance Minister, last Sunday. In a speech to a finance meeting in Peking, Wang stressed that China should continue with its retrenchment to avert inflation while making industry and revenue collection more efficient.

Though the alarming state of China's economy is certain to have caused debate among the Peking leadership, it is unusual for senior members of *the government to contradict* one another within a few days.

The plan outlined by Li is to include lower interest rates on loans to state enterprises to reduce their debt burden, and new loans to enterprises totalling 5bn yuan ($1.07bn).

This would resolve the so-called "debt triangle", the inability of enterprises to pay each other which has increasingly blighted industry in the past year. The new loans would also *help* to ensure a good harvest and prevent floods.

At the same time, Li said, the plan would keep inflation below 10 per cent and enterprises could hold down their prices.

Wang, however, though noting that the state of the economy was "grim", urged that China adhere to the "principle of retrenchment in both finance and credit".

He said: "If we relax our financial and credit control in such a situation to stimulate demand artificially, we inevitably will find ourselves in an abnormal cycle of 'inflation-retrenchment-inflation'."

Wang's picture of the economy was uniformly bad, with *every indicator he revealed* underlining the seriousness of China's situation.

Expenditures and subsidies rose, he noted, and tax and *profits remitted to the state* fell, while the number of state-owned enterprises making a loss rose from 20 per cent in 1989 to 34 per cent in the first half of 1990.

Nicaragua strike slides towards anarchy

By Tim Coone in Managua

A NINE-DAY strike by pro-Sandinista trades unions yesterday threatened to degenerate into anarchy after a night of heavy fighting in Managua, the Nicaraguan capital.

Automatic rifles, grenades and rockets were used in exchanges between armed *right-wing supporters of Presi*dent Violeta Chamorro's government and striking workers who have occupied workplaces and manned barricades in the city.

Government information services were barely functioning yesterday. There were unofficial reports that at least one person had died and scores of people had been wounded. In the past nine days of mounting violence at least four people have been killed.

Sporadic fire continued yesterday as army bulldozers with armed escorts cleared barricades along the main thoroughfares through the capital. Although traffic was able to move, public transport remained paralysed and most commercial establishments, factories and government offices remained closed.

Conscious of the dangers of the country lurching towards civil war, strike leaders called for a renewal of talks with the government and appealed to their supporters not to build new barricades.

Police and army units were moving cautiously round the city, attempting to separate the clashing factions rather than confront them head-on, in an *effort to minimise the violence* and bloodshed.

Mr Lucio Jimenez, the head of the CST, a Sandinista industrial trade union organisation and one of the general strike leaders, said on an opposition radio station on Tuesday night: "We are not looking for the defeat of the government. We are simply defending the rights of our workers. The aim of the strike is negotiation."

Instructions broadcast by a right-wing radio station on Tuesday night indicated that a military command structure, independent of the central government, was organising right-wing gunmen at a national level.

There were unconfirmed reports that two former Contra leaders were leading the armed strike-breakers at a central bus depot and in the east of the capital where fighting was heaviest on Tuesday night.

Armed anti-Sandinista elements prepare for a confrontation with the strikers

G7 chiefs in farm deal

Continued from Page 1

at later conferences.

The communiqué supports action by the Paris Club of creditor nations to do more to address the debt burdens, implementing strong reform programmes.

The leaders endorse the current process of international *policy co-ordination* by finance ministers and central bankers without making any new commitments.

The communiqué notes that "inflation" although considerably lower than in the early 1980s, is a matter of serious concern in some countries and requires continued vigilance.

The communiqué also contains references to strong action in combating money laundering in association with international drug trafficking.

PVC maker may be sold

Continued from Page 1

some 5m tonnes a year.

A combined EVC/Occidental PVC operation would have a production capacity of about 2m tonnes a year, roughly one tenth of world PVC output.

Mr Hirl said he had discussed the possible sale in detail with Sir Denys at a meeting in the US earlier this year. Mr Hirl said he was "keeping in touch" with ICI's representatives in the US on the matter.

In recent years Occidental has bucked the trend among many large chemicals groups and emphasised in its product strategies bulk materials such *as PVC and ethylene. Much of* the rest of the chemical industry has, like ICI, backed away from these areas to concentrate on speciality, low-volume products.

Ligachev seeks party post

Continued from Page 1

came to speak with all the aggressive assurance of a veteran party fighter, fired by his Marxist-Leninist faith.

"I think there is an overwhelming majority supporting the principles of Marxism-Leninism," he declared, suggesting that his rival might be less ideologically sound. "People are trying to frighten us with a split."

He insisted on his loyalty to Mr Gorbachev – although the Soviet leader made his backing for Mr Ivashko beyond doubt – saying they had only tactical differences. "We have had disagreements on tactics, but we have never had a critical divide," he said.

Yet throughout the congress *he has made his underlying* opposition clear to the radicalism of Mr Gorbachev's socialist revisions, suggesting that they were no more than improvisation.

He has also spoken out against any swift move to a market economy, to the obvious delight of most of the audience. "The question today is clear. Either the USSR ceases to exist as a socialist multi-national country, or it retains its worthy place among powers that are at the forefront of human civilisation," he told the congress on Wednesday.

The irony of the divide between Mr Ligachev and Mr Ivashko is that both are conservatives.

However, Mr Ligachev is seen as a true ideological conservative, whereas Mr Ivashko belongs to the new breed of pragmatic neo-conservatives, paying great lip service to the need for perestroika.

The third candidate, Mr Anatoly Dudyrev, rector of the Leningrad technology institute, is scarcely a serious representative of the radicals in the party.

Bank of England chief warns against two-speed EMU

By Anthony Robinson in Strasbourg

MR Robin Leigh-Pemberton, Governor of the Bank of England, yesterday warned of the divisive consequences of a two-speed approach to European Monetary Union.

Speaking at a meeting of the European Currency Intergroup of the European Parliament in Strasbourg, the governor put forward what he called "the *economic case for a gradualist* approach to monetary union," as set out in the UK plan announced last month by Mr John Major, Chancellor of the Exchequer.

Rejecting criticism that Britain was "dragging its heels" on integration, the governor warned that what he called "the activist" approach failed to take sufficient account of structural differences between European Community countries and slow progress towards achieving "genuinely free, open and integrated markets" by 1992.

He emphasised that monetary union would *entail* unified interest rates throughout the EC.

"Too early a move to monetary union and identical interest rates would not offer a smooth path to price stability," he said. "For the time being it is better to retain the flexibility that allows different interest rates in our different countries."

While acknowledging the high degree of economic convergence among some EC countries, the governor warned against the creation of a "two stage" or "two tier" Europe and the need to be "very careful that progress over a more limited front does not hinder progress by the Community as a whole."

The Governor's remarks are a response to remarks by Mr Karl-Otto Pöhl, president of the *German Bundesbank*, that monetary union might start with a small group of countries sharing a low rate of inflation.

"I think that such a development would be very unfortunate for Europe to say the least," the governor said.

By contrast, he said, "the hard Ecu could potentially have a very powerful unifying effect on monetary policy in the Community as a whole, increasing *over time as hard* Ecu holdings built up."

It would, he claimed, "avoid putting the ultimate goal of monetary union in jeopardy and be a way forward beyond stage one for all members of the Community."

The UK proposals for stage 2 "would add an extra impetus towards counter-inflationary policy in member states" in addition to the constraints imposed by the exchange rate mechanism (ERM), *which the* UK has not yet joined, and what he called "peer pressure exerted through the committee of EC central bank governors." *The governor said the proposal* drew clear lines of responsibility for the management of monetary policy. He also sought to end fears, expressed in London recently by Mr Pöhl, that introducing a new currency in addition to the existing 12 EC currencies would prove inflationary, because a proposed European Monetary Fund would maintain its value.

"Each participating central bank would accept an obligation both to maintain the Ecu value of any EMF holding of the currency and to repurchase its currency at the request of the EMF in exchange for hard *Ecus or possibly some other* strong currency," he said.

"As well as protecting the EMF against loss, this provision would ensure that the EMF did not validate any excessive liquidity creation by individual central banks," he added.

STERLING suffered a sharp setback yesterday as traders took profits after the currency failed to breach DM3, write Rachel Johnson and Andrew Marshall in London.

British monetary authorities have done nothing to halt the pound's rapid rise on the foreign exchanges. However, confidence in the currency diminished as investors, particularly in the Far East, took the decision to sell to consolidate their gains.

A report in Wednesday's Financial Times – about Sir Alan Walters' continuing opposition to pegging sterling to the Exchange Rate Mechanism of the European Monetary System (EMS) – was also reported to be a contributing *factor in sterling's decline.*

The pound has added about 10 per cent to its value in just two months as investors have perceived that the Government wants sterling to appreciate as much as possible before the UK takes up *full membership of the EMS.*

Although the Government's commitment to the ERM has been made plain by Mrs Margaret Thatcher, Prime Minister, and Mr John Major, Chancellor of the Exchequer, Sir Alan Walters' vehement criticisms of the EMS – in a book to be published later this month – were seen in the markets yesterday as having had some impact on sterling.

The pound dropped nearly 1.5 cents to $1.8005. Against the D-Mark, it weakened almost 2 pfennigs to DM2.9690. The pound's trade-weighted index was pushed down 0.6 to 93.5, *from its previous close, after a low of 93.3* and a high of 93.7.

Sir Alan denied yesterday that he was trying to hamper Britain's entry to the ERM on BBC Radio. "Britain is committed to going in on the *Madrid conditions,*" *he said*, but added: "If we went in with our present interest rates and level of inflation, I think you'd get a replay of what happened when the Spanish went in. . . they've had an awful time, and they're having a lot of trouble."

He said he was no longer an adviser to the Prime Minister.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	T	17	64
Algiers	S	27	82
Amsterdam	S	18	66
Athens	S	30	86
Bahrain	S	37	99
Bangkok	F	32	90
Barcelona	S	26	79
Beirut	–	–	–
Belfast	F	16	59
Belgrade	C	20	68
Berlin	C	17	63
Biarritz	S	23	73
Bombay	F	30	86
Bordeaux	S	22	73
Boulogne	–	–	–
Brussels	S	21	70
Budapest	F	22	72
Buenos Aires	F	18	66
Cairo	S	32	91
Cape Town	F	16	61
Caracas	C	27	82
Casablanca	F	25	77
Chicago	C	17	64
Cologne	F	16	66
Copenhagen	F	16	66
Corfu	S	32	90
Dallas	S	27	82
Dublin	C	18	66
Dubrovnik	S	27	82
Edinburgh	C	16	61
Faro	S	27	82
Florence	F	22	73
Frankfurt	F	17	64
Geneva	S	20	68
Gibraltar	C	27	82
Glasgow	F	16	61
Helsinki	F	20	68
Hong Kong	C	25	77
Innsbruck	S	18	66
Inverness	C	15	59
Islamabad	F	33	93
Istanbul	F	26	79
Jakarta	C	32	91
Jersey	S	21	70
Johannesburg	S	16	61
Lima	C	17	64
Lisbon	S	28	84
London	S	22	73
Los Angeles	C	21	70
Luxembourg	F	17	64
Madeira	–	–	–
Madrid	S	31	88
Majorca	F	28	84
Malaga	S	28	84
Malta	F	27	82
Manchester	C	16	61
Manila	F	32	91
Melbourne	S	11	52
Mexico City	C	22	72
Miami	S	27	82
Milan	S	22	72
Montreal	S	16	61
Moscow	F	25	77
Munich	F	17	63
Nairobi	C	23	73
Naples	S	30	86
Nassau	F	31	88
New Delhi	C	33	91
New York	C	23	73
Nice	S	27	81
Nicosia	C	36	97
Oporto	S	27	81
Oslo	F	17	63
Paris	S	21	70
Peking	C	30	86
Prague	F	18	66
Reykjavik	F	11	52
Rhodes	S	27	81
Rio de Janeiro	R	26	79
Rome	T	20	68
Salzburg	F	17	64
San Francisco	S	13	55
Seoul	C	25	77
Singapore	F	29	84
Stockholm	F	21	70
Strasbourg	S	20	68
Sydney	F	12	55
Taipei	F	33	93
Tangier	S	32	91
Tel Aviv	S	29	84
Tenerife	S	27	81
Tokyo	S	27	82
Toronto	F	17	63
Tunis	S	30	86
Valencia	F	27	82
Venice	S	23	75
Vienna	F	18	66
Warsaw	F	18	66
Washington	F	25	77
Zurich	S	18	65

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

A blurred picture from Granada

If one needed further proof that leisure was not a contra-cyclical industry, Granada was on hand to provide it yester*day. The interim pre-tax profits* figures may have matched expectations; but the company required an unexpected £9m swing on pension payments to achieve it. Coupled with a change in depreciation policy on video recorders, the result has been to increase market cynicism about Granada's published figures. The fact that the group's problems range right across its businesses must cast doubts on the strength of the management. And even the company's strategy, which had seemed clear and positive after the failure of the Rank bid in 1986, is now coming into ques*tion.*

The theory was that Granada's cash-generative rental business would enable the group to invest in high growth areas. But the rental operation is now absorbing cash and some of the growth businesses have stubbornly refused to grow. The future for the television franchise in the 1990s looks dull, given the increased competition for advertising revenue. And the company has *yet to see much of a return* from its splurge on capital expenditure over the last few years.

To add to all the worries, gearing should reach 80 per cent by the end of the financial year and the £180m potential exposure to BSB sits heavily on and off the balance sheet. Assuming pre-tax profits of £145m this year, the shares do not look particularly cheap on a prospective p/e of 8. But if the *final dividend* is maintained, the yield of 7.5 per cent should at least lend support.

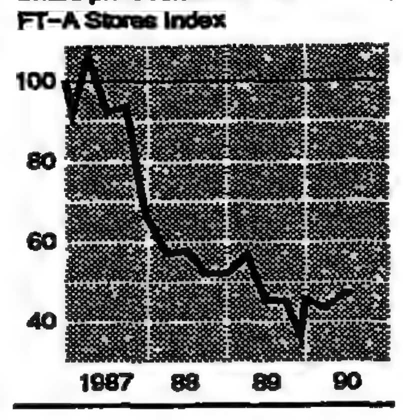
Markets

Yesterday's drop in sterling was not unexpected; the market has lived on a diet of ERM *promises for a while now*, and is bound to pine occasionally for more solid fare. The 33-point bounce in the FT-SE was also logical to the extent that the market has been driven down lately by profit revisions based on sterling's strength. But the equity market cannot have it both ways. Its rise in May was partly based on the attractions of ERM entry; but a central point about the ERM is that companies can no longer *be bailed out by sterling depre*ciation.

There remains the awkward possibility that the official ramping of sterling is not primarily to do with ERM entry at all. In particular, if the inflation figure on Friday turns out really nasty, the market may deduce that the intention was *simply to provide a cushion for* the market's disappointment. In that case, the effect could well be to switch attention back from Europe to the travails of the domestic economy. If so, bad luck for equities.

Dixons

Share price relative to the FT–A Stores Index



Magnet

The news from the Magnet buyout becomes ever more *gruesome.* The latest figures are not much worse than expected, though a pre-tax loss of £80m on turnover of £194m is enough to be getting on with. More striking is the fact that the accounts are to be qualified for lack of proper accounting records. The new management, it appears, has now cleared matters up. But the clear inference is that the original buyout sums were calculated on wrong information.

There seems little room for legal action over this, if only because the chief losers from the whole transaction were the buyout team themselves. In retrospect, Magnet seems to have had everything: not only a highly contentious buyout which was classically misconceived in terms of interest rate exposure, but also a flair for creative accounting which succeeded chiefly in misleading the people who produced it.

House prices

The small rise in June house prices recorded by the Halifax may be a statistical blip but it is further evidence that the consumer refuses to lie down under the government's *assault. The strong growth of* wages means that the balance between house prices and average earnings is being restored more quickly than many had thought possible. In any case, it could be that the ratio has shifted from the old norm of 3 to 1. The number of two income households now means that 4 to 1 is probably a more realistic long term norm. On that basis, the Halifax says that prices only need to fall around 5 per cent before they can resume their upward trend in 1991.

There should still be some demographic impetus behind the housing market as the proportion of 35-60 year olds in the population – the most likely group to be owner occupiers – increases. Halifax believes the percentage of owner occupiers could rise from its current 67 per cent to 75 per cent. So a pre-election cut of around 3 percentage points in base rates could merely give a kick to an already reviving market. And a thriving property market will increase the inflationary pressures awaiting whichever party forms the next government.

Dixons

The full year figures from Dixons seem confirmation of the assumption implicit in the Kingfisher bid: that the company is set for recovery. The question is how much and how soon. Last year's 18 per cent drop in underlying pre-tax profits may well be the bottom of the trough. This year, however, may see little improvement. UK retailing is as tough as ever, and while European property development is proving a handy sideline, UK property must be down this year.

It may yet turn out that Dixons' great advantage was in *running into trouble early*, thus having to work on improving its efficiency before the retail industry as a whole was hit by the general consumer downturn. *There is still* scope for margin improvement; and balance sheet gearing has halved to a mere 16 per cent. The immediate problem is that UK volume is still on a modest downtrend. Even when it picks up, there is reason to suppose the electrical retailing business will never again be as profitable as it was in the high days of the mid-1980s.

In the US, the plan is to cut a quarter of the stores if this year does not provide a profits breakthrough. In Europe, Dixons is pushing the idea of linking with other leading retailers to combat the power of Japanese suppliers. But at 143p, the shares are already on about 12 times this year's earnings. There seems little reason to push them further.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday July 12 1990

INSIDE

Setback for Mexico's privatisation plan

The Mexican Government has suffered an embarrassing setback to its privatisation programme by failing in its third attempt to sell the Cananea copper company, the most politically sensitive of Mexico's state enterprises put up for sale. Yesterday, Mexico rejected a bid for US$468m from a group headed by Ingenerios Civiles Asociados (ICA), one of the country's largest construction companies. Richard Johns reports from Mexico City. Page 22

Granada suffers 12% downturn

Granada, the TV, leisure and computer services group, yesterday blamed trading conditions worse than any since the early 1980s for a 12 per cent downturn in its interim profits. The group, maker of the long-running soap opera Coronation Street (pictured above), reported problems in each of its four main divisions. These ranged from weak advertising revenues on the TV side, to difficulties swallowing recently-acquired computer maintainance businesses. Page 21

Dixons beats profit forecast

Dixons, the UK electrical retailer, has turned in pre-tax profits £10m higher than the forecast it made last January as part of its defence against a £568m ($1.03bn) bid from rival retail group, Kingfisher. Stanley Kalms, Dixons' chairman said the company's £80.1m profit emphasised "the resilience of the group in difficult retail markets." The main reason for beating the forecast was a better than expected result from the UK chains, Dixons and Currys, he added. Page 20

Rolls Royce at peace

The UK Government's decision to cancel an order for 33 Tornado aircraft dealt a heavy blow to Rolls Royce's military engine division and was just one example of how the "peace dividend" of detente is turning into a "peace deficit" for the world's aero-engine manufacturers. Rolls Royce plans to trim its military engine side while building up its business in civil engines. Page 21

On the cards

In the US, it is common for retailers to securitise their charge card businesses. So far, this practice of repackaging assets as bonds has not caught on among UK retailers, with companies such as Next and Burton remaining wary of processing and funding costs, and the legal pitfalls of unfamiliar territory. A recent change to accounting standards, however, may make securitisation much more attractive to UK groups. Page 19

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko	980	+	12
Deutsche Bk	824	+	7.5
Dresdner Bk	447.5	+	1.5
Karstadt	729	+	7
Falls			
Massa	401	–	1.6
Degussa	470	–	6

NEW YORK ($)

Rises			
Am. Cyanamid	60⅝	+	¾
Chevron	70½	+	1⅛
Desoto	44¼	+	4¾
Falls			
Motorola	85⅛	–	⅞
Oracle Sys	19⅝	–	2¾
Sys Center	18	–	4

New York prices at 12.30.

PARIS (FFr)

Rises			
Accor	1021	+	11
Hachette	309.1	+	8.8
La Rochette	75.9	+	3.9
Perrier	1499	+	57
Peugeot	727	+	5
Suez	429	+	8.5

TOKYO (Yen)

Rises			
Fedow	1150	+	140
Inoue Kogyo	1150	+	140
Koyo Iron	1460	+	160
Sinwart	1430	+	140
Tokyo Auto	2220	+	220
Falls			
Meisei Elect.	1100	–	80

LONDON (Pence)

Rises			
AMEC	441	+	9
BAA	444	+	9
Brit Aero	540	+	10
Burton	106	+	7
Diploma	204	+	5
Epicure	32½	+	4½
GEC	197	+	7
Glaxo	852	+	23
Hanson	228½	+	7
Midland Bk	314	+	8
Morris Ashby	60	+	7
Nat West	332	+	7
Reuters	1283	+	24
Rothmans	825	+	25
Scot & New	346	+	8
Shell	455	+	10
Utd News	345	+	11
Wolseley	821	+	9
Yorkshire Water	173	+	8
Falls			
Allied Irish	210	–	6
Aviva	28¾	–	13
Bk Ireland	215	–	19
Granada	218	–	13
Tottenham	116	–	5

Merger puts FFr 10bn tag on Dumez

By William Dawkins in Paris

LYONNAISE DES EAUX, France's second largest water supply group, yesterday agreed to merge with Dumez, the country's second largest construction company. The deal creates an industrial giant with 110,000 employees and forecast sales of FFr 82bn ($14.9bn) this year.

Dumez investors will be offered four Lyonnaise shares for every three shares they own in the construction company, representing a 46 per cent premium over the FFr 641 at which Dumez's shares were suspended on Monday. Lyonnaise shares were worth FFr 702 when they were suspended. The offer values Dumez at FFr 10.36bn.

"My profound conviction is that construction and development on the one side and the management of public facilities and services on the other are complementary tasks, which sooner or later were destined to be united," said Mr Jérôme Monod, Lyonnaise's chairman.

This is a change of tack for Lyonnaise, which sold its construction interests 10 years ago and until recently was insisting that it had no plans to go back into the sector.

While Dumez is the junior partner in the merger, construction and development will represent the largest single chunk – 45 per cent – of the new group's sales. The core of Lyonnaise's businesses – water supply, energy management and distribution and waste disposal – will represent another 27 per cent.

The distribution of electrical and plumbing equipment, another Dumez activity, represents 21 per cent, while the remaining 8 per cent will come from various Lyonnaise diversifications like funeral services – where it leads the French market – and cable television.

The final details of the merger will be completed in time for presentation to shareholders' meetings in September, but Mr Monod maintained that the merger would bring an automatic 16 per cent increase in earnings per share for shareholders in both companies. He forecast a more than 25 per cent rise in net profits this year from the two groups' combined total of FFr 1.3bn in 1989.

Mr Monod will be president of the new group, while Mr Jean-Paul Parayre, Dumez's chairman, will be vice president and take charge of its construction and development businesses. Group managing director will be Mr Guy de Panafieu, from Lyonnaise.

Unusually sharp increases in Dumez's share price during the week ahead of the suspension have prompted an informal inquiry by the Commission des Operations de Bourse, the stock exchange watchdog. Around 4 per cent of Dumez's capital had changed hands since the start of the month. Initial indications are that a small number of short term dealers were responsible for a third of those transactions, said Mr Parayre.

DeSoto sells paint businesses for $135m

By Peter Marsh in London

DESOTO, the US chemicals, paints and detergents group is selling a large business in aircraft paints for about $50m to Courtaulds, the British chemicals and materials company.

Courtaulds' aim is to strengthen its position in specialised, industrial applications in the world's £20bn-a-year paints and coatings sector.

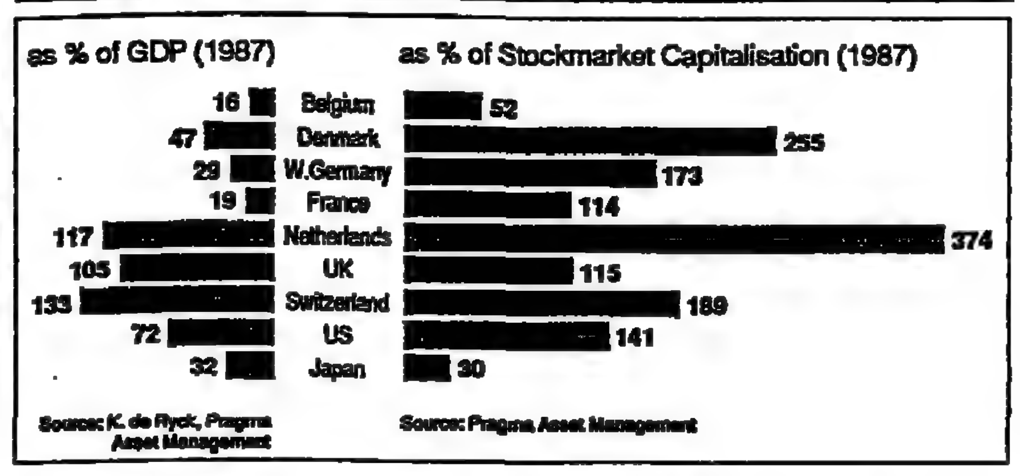
The purchase, announced yesterday, is part of a complex agreement involving three companies, Courtaulds, DSM, a large Dutch chemicals group, and Valspar, a US paints business.

Courtaulds is to acquire the whole of DeSoto's industrial-coatings activities for $135m. It will keep the aircraft-paints business, which has annual sales of $41m, and sell the rest of the activities to DSM and Valspar for about $85m. These other businesses have total annual sales of $81m. They are involved with radiation-cured coatings for optical fibres, a business which DSM will retain, and paints for industrial coils, which will become part of Valspar's operations.

DeSoto is, with Deft, one of the top two groups in the US aerospace-coatings industry and is a supplier to big aircraft makers such as Boeing and McDonnell Douglas.

Sir Leon Brittan, EC's Commissioner for Financial Services

Pension Fund and Life Assurance Assets



Source: K. de Ryck, Pragma Asset Management

Source: Pragma Asset Management

Pension Funds

Numbers	
Belgium	260
Denmark	150
Spain	26
W.Germany	160
Ireland	30
Netherlands	1,050
UK	1,100
Switzerland	15,000

Source: Watsons & Sons; Pragma Asset Management

Coming soon, the Euro pension

Tim Dickson in Brussels on the possibilities offered by the pensions liberalisation programme outlined by Sir Leon Brittan last week

"BELGIAN Government bonds are not exactly stellar investments," Mr Robert McMicking, international investment manager for pensions at Digital, observed wryly this week.

Mr McMicking was referring to the requirement under local law that the US computer group's Belgian retirement fund devote a generous 15 per cent of its assets to financing the country's public sector deficit. "If we were told by national supervisory authorities in Belgium and elsewhere that we could manage our pension funds as we do in the UK – without any national investment restrictions – we would certainly be able to make more money for our members."

In a nutshell, that is exactly what Sir Leon Brittan, the EC's Commissioner for financial services, hopes to achieve as part of the hugely ambitious and potentially far-reaching pensions liberalisation programme outlined at an international conference in the Netherlands last week.

In a speech delivered on his behalf, Sir Leon made clear his determination that pensions should not be excluded from the single European market, and that the Commission's ultimate objective was to permit nothing less than cross-border membership, management and investment of European pension funds.

The scale of the task – not just overcoming significant political obstacles but reconciling widely different tax regimes and labour law traditions – is acknowledged both in Brussels and in the pensions industry at large. Yet the fact that the EC is now tackling a subject considered too complex to put on the Community agenda until this year is a vivid illustration of the momentum built up by the 1992 bandwagon.

There are powerful arguments with which Sir Leon can assail the member states, who are bound to prove touchy when asked to abandon their restrictions under a proposal that is likely to be formally unveiled next year. Belgians aside, French rules require that 50 per cent of the "stabilisation reserve" of their supplementary pensions schemes be invested in government bonds, while in Germany, investment in foreign bonds is limited to a small proportion of the total fund. Many member states operate restrictions similar to those imposed on insurance companies, while others give tax benefits only where pension fund assets are invested in national equities or bonds.

According to the Commission, the very size of the pension fund industry – officials in Brussels estimate pension fund assets at more than Ecu900bn ($1,132.2bn) – means that action is needed to avoid serious distortion of capital flows. Sir Leon suggested in his speech that certain investment restrictions were "clearly discriminatory" and thereby offended the EC's founding charter, the Treaty of Rome. However, he also hinted that legal action might be justified on the grounds that national rules also contravened the purpose of the directive on free capital movement, which came into effect this month.

From a practitioner's point of view the real "short term win," as Mr McMicking puts it, is better performance and hence lower annual funding contributions, both from employers and employees. Retirement benefits that pension funds are obliged to pay out are usually linked to members' final salary – so a shrewd investment manager's objective is to find assets whose value increases broadly in line with earnings (as opposed to inflation).

"We calculate that a one percentage point increase in average annual pension fund returns could reduce contributions by about 15 per cent," a leading EC pensions official said this week. "If companies could spend the saving on more productive purposes, imagine the macro-economic impact that this would have and the boost it would give to Europe's international competitiveness. It has not been lost on us that there are no investment restrictions in the United States and that the Japanese are trying to relax their rules."

As others have added, the need for a more efficient private pensions industry is underlined by increased social and demographic pressures across the Community – in Belgium and Germany, for example – on pay-as-you-go social security systems.

The Brussels strategy, however, goes well beyond making life easier for those who manage pension funds in a series of neat national compartments; it holds out the promise that multinational companies will be able to organise their employees' pension arrangements via Community-wide structures, with all that this implies for cheaper administration and, perhaps, increased job mobility.

That means a multinational company with 12 separate funds might one day be able to organise everything under one roof. The approach would be based on mutual recognition of different national traditions and not on detailed harmonisation of rules governing pension funds in a way that would create a new EC vehicle.

However, Brussels officials say the least of the problems will be ensuring adequate prudential controls. A draft discussion paper likely to be adopted by the Commission in the next few weeks foresees a number of minimum "Euro" requirements for funds, covering basic questions such as matching of liabilities, diversification, and liquidity levels. Individual member states would be permitted to be stricter, but they would not be able to stop their own nationals from joining funds in another EC country.

A much bigger hurdle will be how to convince governments that a freer pensions market will not lead to widespread abuse of the tax privileges given to contributions, final benefits and the funds themselves. The trick here, as with insurance, will be to apply the "territoriality" principle, which means that the fund itself would be taxed in the country of establishment, while contributions and benefits would be treated under the rules of the member state of the contributors and beneficiaries themselves.

Among the many delicate issues will be getting everyone to respect the different legal forms for pension arrangements that characterise the European scene. The chances are that Brussels may be forced to concede an element of "host" country control.

Another headache promises to be national rules on "co-determination," or employee participation, on pension fund boards. In the Netherlands, for example, worker representatives automatically hold 50 per cent of the votes. That raises the question whether a company like Unilever would have to conform with this national requirement if, in a newly liberalised market, it decided to make arrangements for its Dutch employees under a British scheme.

Not surprisingly, pension fund managers are deeply sceptical and are waiting to see the Commission's more detailed ideas.

Mr Michael Strong, who manages Ford of Britain's fund, points out that Ford of Europe has six separate European pension funds – some very small – even though the company has been integrated in most other respects for the past 25 years.

He can see "some new efficiencies on the investment side" in having one structure, but he wonders how you would reconcile the UK fund's investment policy, where 75 per cent may be invested in equities, with the more conservative stragegy traditionally pursued in Holland and Belgium, where no more than 20-30 per cent of assets might be held in equities.

Integrating a common fund with the rules of 12 different state pension systems is another formidable challenge identified by both Mr McMicking and Mr Strong. "The whole thing is a real mish mash," Mr Strong says with some feeling.

Atlantic payout to be only 'a few pence in the pound'

By David Owen

CREDITORS OF the key companies in the collapsed Atlantic Computers leasing group were told yesterday that they would probably receive a payout of only "a few pence in the pound" on potential claims estimated at over £500m ($900m).

Announcing this news, the administrators – Mr John Soden and Mr Peter Padmore of Price Waterhouse – said any payment will be delayed "for a considerable time."

Atlantic Computers plc (ACP), the main holding company of the group, owes £184m to other companies within the Atlantic and British & Commonwealth (B&C) groups, according to a summary of the directors' draft statement of affairs.

ACP's Bank loans and overdrafts are put at £98.1m.

Atlantic Computer Systems, the main UK operating subsidiary, has estimated contingent liabilities of £250m, the administrators said yesterday.

B&C, the financial services group which has itself since been placed under administration, called in administrators at its Atlantic subsidiary in mid-April.

According to the draft statement of affairs, which the administrators warned might be subject to significant amendment, ACP's creditors were owed £278.8m while assets at book value stood at £434.2m.

The bulk of these assets were investments in subsidiaries and inter-company balances, however. The directors were "unable to estimate the level of realisations that may be achieved" from these sources because of "the uncertainties surrounding the viability of many of the Group companies."

The largest inter-company debtor, owing £84.4m, is Atlantic Computer Systems Inc, the main US operating company, which last week filed for Chapter 11 protection. Creditors were told today that payout on this company would be less than 50 cents on the dollar.

In addition to ACP's £278.8m liabilities, £200m or more of contingent liabilities might arise as a result of guarantees given by the company, the document stated.

ACP is a party to an unlimited cross-guarantee given to Midland Bank for which demand for payment of "in excess of £59m" has been received, it said. ACP has also issued a number of guarantees, largely on behalf of fellow group companies, with potential liabilities that "exceed £140m."

The administrators said yesterday that there was "no prospect whatever" of Atlantic's UK lease portfolio being sold in one piece, as had earlier been considered a possibility.

B&C estate agencies, Page 21

Magnet buy-out incurs £80m loss

By Maggie Urry in London

MAGNET GROUP, the kitchen and bedroom furniture retailer that was the subject of a £629m ($1.1bn) leveraged buy-out in July last year, lost £80m before tax in the nine months to March 31. Of that, £51.2m was the interest charge and £24.6m an operating loss. Sales were £194.3m. There are no comparable figures.

The group said its accounts would be qualified by the auditors "in respect of the failure to keep proper accounting records in the first half of the period". Magnet dismissed its finance director in November.

The group said its accounting systems had failed to keep pace with Magnet's expansion and that the doubts covered figures from the end of 1988 and the whole of 1989. The accounts were prepared on a "going concern" basis – on the assumption that its bankers would continue to support Magnet.

Magnet's trading arm, Magnet Home Improvements, is in sound financial shape, the group said, with net assets of £239m. However, the buy-out vehicle's debts are not secured on MHI and MHI cannot be obliged to make dividend payments to Magnet. Magnet said its policy now would be only to make dividend payments if MHI could retain a minimum of £30m in cash. It made dividend payments of £58.5m to the buy-out vehicle in the nine months, which went towards interest and banks fees.

Since the buy-out, Magnet, in common with many retailers of large-ticket household items, had seen trading conditions worsen severely as high interest rates depressed the property market, and consequently the number of households on the move, and consumer spending. Magnet refinanced its £536.6m of debt in February, only to announce it had lost £20.9m in the three months between the buy-out and the end of September.

Last month it changed the terms of its loans again when it was unable to meet an interest payment due at the end of the month.

It is rolling up that and the next interest payment into principal, and will only meet following payments subject to keeping the minimum cash balance in the trading subsidiary.

Lex Page 12

INTERNATIONAL COMPANIES AND FINANCE

CBS sees uncertain future for earnings

By Alan Friedman in New York

CBS, the US television and media group whose network was ranked third in the 1989-90 viewing season, yesterday said its prospects for continued growth in quarterly earnings this year were uncertain, due to a sluggish US economy, intensified competition for television viewers and the increasing cost of buying sports broadcast rights.

The New York-based company, which is 25 per cent owned by Mr Laurence Tisch, president and chief executive, achieved a 16.9 per cent rise in second-quarter net profits, to $138m. This followed a 52 per cent jump in the first three months of 1990, which in common with the second quarter benefited from an expanded number of National Basketball Association playoff and championship games.

Mr Tisch said the improved second-quarter profit, struck on revenues of $828.8m, was also enhanced by decreased entertainment programming costs related mainly to the writers' strike that pushed costs into the second quarter of last year. CBS also managed to finish second place in prime time audience delivery during the May period.

Mead tumbles in second quarter

MEAD Corp, a leading US integrated producer of white papers, paperboard and construction materials, posted a sharp fall in second-quarter net profits to $46.1m from $62.2m, on sales which edged ahead to $1.23bn from $1.21bn, Reuter reports.

Earnings per share slumped to 73 cents from 96 cents.

This brought first-half net profits for the Dayton, Ohio-based group to $85.6m, or $1.35 a share, against $114.8m, or $1.77, and sales to $2.37bn compared with $2.34bn.

Mead ascribed the fall in profits to temporary operating problems at its Escanaba, Michigan, and Chillicothe, Ohio, mills, despite strong performance by its packaging and paperboard activities.

Motorola up with recovery in semiconductor markets

By Roderick Oram in New York

MOTOROLA has reported higher second-quarter results with a recovery in semiconductor markets and further rapid growth in cellular telephone markets offsetting weakness in its radio business.

Net profits for the three months ended June were broadly in line with analysts' forecasts at $161m, or $1.22 a share, against $154m, or $1.18, a year earlier. Sales rose 14 per cent to $2.72bn from $2.39bn, although its net profit margin slipped to 5.9 per cent from 6.5 per cent.

For the first half, net profits were $288m, or $2.20 a share, against $277m, or $2.13, a year earlier. Sales rose to $5.25bn from $4.56bn.

"Our expansion into new technologies and new geographical markets should provide a solid platform for long-term growth in sales and profits," said Mr George Fisher, chairman.

Wall Street is forecasting a modest increase in profits this year of about 8 per cent to about $4.45 cents a share but is optimistic about Motorola's longer term prospects.

Reflecting rapid expansion of the cellular telephone market, Motorola's general systems sector reported a 44 per cent rise in sales, a 54 per cent rise in orders and higher operating profits in the second quarter.

Semiconductors posted sales and order gains of 10 per cent and 11 per cent respectively and operating earnings were higher. Orders were higher for most products with the exception of dynamic RAM chips. Growth was evident in all significant regions, particularly in Asia and the Pacific.

Its communications sector, encompassing two-way radio equipment, reported sales and order growth of 9 per cent and 6 per cent but operating profits were lower because of investment in new products, systems and markets.

Strong sales help lift Safeway

By Karen Zagor in New York

SAFEWAY, the Californian supermarket chain which went public in April with an 11.5m stock offering, yesterday reported strong second-quarter profits and sales, thanks partly to this year's late Easter which led to increased shopping during the second quarter of 1990. The holiday fell in the first quarter of 1989.

Net income for the three months to June 16 jumped to $23.6m or 25 cents a share from $7.7m or 10 cents a year earlier. Sales in the latest quarter rose 5 per cent to $3.43bn from $3.27bn.

For the first six months, Safeway's net profits grew to $38.6m or 42 cents a share from $16.4m or 22 cents a year ago. Sales were $6.77bn in the 1990 period against $6.5bn in 1988.

The Oakland, California-based company said gross profit was 26.5 per cent of sales in the first half of 1990 compared with 25.5 per cent a year earlier. Safeway attributed the improvement to better buying, more effective merchandising, improved inventory control and increased sales in high-margin specialty departments.

Safeway's operating profit grew 25 per cent in the latest quarter to $132.3m from $105.9m.

The company's interest expense fell to $86.4m from $90.2m a year ago thanks largely to lower average borrowings in the wake of the company's initial public stock offering in April, which had net proceeds of $120m.

Shares in the company, which was taken private in 1986 by Kohlberg Kravis Roberts in a $4.2bn leveraged buy-out, gained $½ at midday yesterday to $16⅝ on the New York Stock Exchange.

Molson in C$300m debenture, share issue

By Bernard Simon in Toronto

MOLSON Companies, the diversified Canadian brewer which is a close ally of the Elders group of Australia, plans to raise C$300m (US$259m) in equity and redeemable debentures in what is widely seen as a prelude to a large cross-border acquisition.

Half the amount will be raised through a public offering of 4m non-voting shares at a price of C$37.625 each. The remaining C$150m will come from an issue of floating-rate debentures redeemable at any time after November 1. Molson will be able to force debenture holders to use the proceeds of the redemption to buy non-voting, common shares, if it needs to expand its equity base as a result of a beer acquisition.

The shares and debentures are being issued through a group of securities dealers led by RBC Dominion Securities and Gordon Capital, both of Toronto.

Molson said that the proceeds of the offering will be used to expand its existing businesses.

The company indicated recently that Britain is its primary target for expansion outside North America. But analysts in Toronto also speculate that Molson may be planning a bid for Czechoslovakia's biggest brewery, Pilsner Urquell, or to make an investment in part of the financially troubled Elders group. Molson already owns 6 per cent of Harlin Holdings, Elders' holding company.

Molson's beer arm became Canada's biggest brewer last year following its merger with the North American brewing operations of Elders IXL. The joint venture, known as Molson Breweries, is equally controlled by the Canadian and Australian companies. The group owns nine breweries with a capacity of 13m hectolitres, and a 52 per cent share of domestic brewers' sales in Canada. It is the third largest foreign beer supplier to the US.

Molson has interests in cleaning and sanitising products, hardware and construction supplies, sports and entertainment.

Apple plans minority stake in new venture

By Roderick Oram in New York

APPLE Computer said yesterday it will take a minority stake in a new company formed by three senior former employees.

The venture, General Magic, will seek to develop "a new class of personal intelligent communicators."

Both companies declined to explain what the new product would be, saying they wanted to keep the concept under wraps for as long as they could in the intensely competitive atmosphere of Silicon Valley.

But General Magic would combine existing technologies to create a new type of product.

"It is not a personal computer; if it was it would have stayed in the company," Apple said.

The investment in General Magic "gives Apple a venue to expand the portfolio of its activities while focusing the company's resources on Apple's management," said Mr John Sculley, Apple's chairman.

He will serve on the new company's board and Apple has the right of first refusal to make and market the new product on a non-exclusive basis.

Apple, tackling slow sales growth, loss of market share and management upheaval this year, is planning to expand its product range later this year by introducing lower-priced Macintosh computers.

The three founders of General Magic – Mr Bill Atkinson, Mr Andy Hertzfeld and Mr Marc Porat – are long-standing Apple employees with notable design and development work to their credit.

"I have no idea what a Personal Intelligent Communicator is but it bears watching because these are heavyweight people," said Mr Steven Ossad, an analyst with Montgomery Securities in San Francisco.

Apple recently abruptly reversed its strategy on an earlier spin-off from the company.

It said Claris, a software developer it formed, would revert to being an in-house unit rather than being groomed for sale to public shareholders.

Dow Jones hit by higher interest charges

By Martin Dickson in New York

DOW JONES & Co, the publisher of the Wall Street Journal, has reported a 28 per cent drop in second-quarter net income, which it blamed mainly on higher interest charges and goodwill amortisation from its acquisition last January of Telerate, the financial information network.

Net income totalled $34.89m on revenues of $441.6m, compared with $48.35m and $437.74m in the same quarter of last year.

Earnings per share were 35 cents against 48 cents.

For the first half, net income totalled $59.7m, compared with $248.35m in the same period of 1989, when it took a $164.1m after-tax gain, and earnings per share were 59 cents against $2.47. On a like-for-like basis, first-half earnings declined 29 per cent.

However, the company said increased interest expenses and goodwill amortisation relating to the Telerate deal accounted for 12 cents a share of the second-quarter net income decline, and 24 cents a share for the first half.

Second-quarter operating income fell 30.7 per cent to $70.86m.

Operating income for Dow Jones' Business Publications, which includes the Wall Street Journal and Barron's magazine, increased 7.5 per cent on a 0.2 per cent revenue rise.

Journal advertising lineage declined 8.7 per cent in the second quarter and was off 6.4 per cent in the first six months.

Gaming side hurts Hilton Hotels

A DROP in gaming profits caused Hilton Hotels, the Beverly Hills-based chain, to suffer a 9 per cent fall in second-quarter net income to $38.2m or 79 cents a share, on revenues of of $273.8m against $265m, writes Alan Friedman.

The company has been on and off the auction block for several months, with a decision taken in March not to sell because of the disappointing level of bids received.

Gardini prepares to oust Eni directors from venture

By John Wyles in Rome

MR RAUL GARDINI appears to be preparing for a showdown in the battle for control of Enimont which initially could cost his adversary, Eni, the state energy company, some or all of its seats on the board of the chemicals joint venture.

Although Mr Gardini's Montedison and its allies hold seven of Enimont's 12 board seats, Eni's five directors still deny the Ferruzzi boss the necessary two-thirds majority to carry strategic decisions.

As a result, a five-year business plan prepared by Enimont management, under the control of Mr Sergio Cragnotti, the Gardini-nominated managing director, has failed to win approval. At a board meeting on Tuesday evening, the Montedison majority pushed through a decision to call shareholders meetings on August 8 and 9 when – in the absence of a quorum on the first date – a simple majority will be enough at the second meeting for adoption of the business plan. Mr Cragnotti has also placed on the agenda "the nomination of a board member or members."

Raul Gardini: denied necessary two-thirds majority

He is expected to invite the Eni directors to resign on the grounds that shareholders have adopted a business strategy which they are not ready to implement. If they refuse, as seems likely, the five Montedison and two allied directors would resign, triggering the election of a new board.

Eni would go to court to challenge any move which resulted in a change of its board representation on the grounds that the Enimont statutes stipulate that the state holding company will nominate five directors.

Enimont's defence would be that Italy's civil code takes precedence, and this requires the protection of shareholders' interests through the adoption and implementation of a business plan.

The Cragnotti strategy is based on investments of L8,100bn ($6.7bn), acquisitions of L2,000bn and 5,000 job cuts. Production would be more concentrated on higher added value products after pulling out of refining and fertilisers.

NEWS IN BRIEF

THE Jordanian Government yesterday ordered the financially troubled Petra Bank to close and transferred all its accounts to a state-owned bank, AP-DJ reports from Amman.

The government-appointed Economic Security Committee, chaired by Mr Bassel Jardaneh, Finance Minister, announced that customer deposits would be available through the Housing Bank later this month.

The announcement followed weeks of speculation that Petra Bank, once the country's second largest bank, was to announce its bankruptcy as a result of a JD280m ($423m) debt burden.

■ GEC Alsthom has reported net profit for the its first financial year of 240m Ecus ($192m).

GEC Alsthom is a joint heavy engineering unit of General Electric of the UK (GEC) and Compagnie Générale d'Electricité (CGE) of France set up in June 1989.

GEC-Alsthom said its sales in the 12-month period were 6.547bn Ecus, an increase of 6.5 per cent from the aggregate year-ago figure of the two constituent companies.

Benedetti allies get top Mondadori posts

THE SWING of the corporate seesaw which recently dethroned Mr Silvio Berlusconi as chairman of Mondadori, Italy's leading publishing group, has now carried close collaborators of Mr Carlo De Benedetti into senior management positions in the company, writes John Wyles.

Having secured favourable judgments from the courts and independent arbitrators, Mr De Benedetti was able at a long board meeting on Tuesday to reverse the defeat which last January put Mr Berlusconi and members of the Formenton-Mondadori family in the publisher's driving seat.

At the first meeting of a new board on which the De Benedetti forces have five directors, the Berlusconi camp six, and court-appointed representatives the remaining four, Mondadori was equipped with yet another top management after six months of the Berlusconi incursion.

The representatives of the Milan Tribunale strove to maintain some balance, to the extent that an additional managing director's position was created for one court nominee while another was appointed to one of the two vice-presidencies.

The Tribunale is representing the 25.7 per cent of shares in Amef, the holding company which owns a majority of Mondadori's ordinary stock, which arbitrators recently said Mr De Benedetti could acquire next January under a long-standing, but disputed, agreement with the Formentons.

Crucially, however, Mr Carlo Caracciolo, president of Mondadori until the Berlusconi assault, was nominated managing director, alongside Mr Antonio Coppi, for the Tribunale. The key operational role of director general will be filled by Mr Corrado Passera, for some years Mr De Benedetti's right hand man at Cir, the financial holding company.

Mr Passera will give up his post at Cir and devote himself full-time to Mondadori.

French win control of Spanish bank unit

By George Graham in Paris

CREDIT LYONNAIS, the French state-owned bank, has agreed in principle to take control of Banco Comercial Español (BCE), a subsidiary of Spain's Banco Santander.

Subject to the approval of the Spanish authorities, Crédit Lyonnais will take over the 83 per cent controlling stake held by Banco Santander in BCE, which has 111 branches spread widely over the country and total assets of Pta163.2bn ($1.63bn).

Crédit Lyonnais, which has been rapidly expanding its European network with the recent acquisitions of Chase Banque de Commerce in Belgium and Credito Bergamasco in Italy, had been in negotiations to acquire a stake in Banco Hispano Americano, a much larger Spanish bank.

Banco Hispano, which belongs, like Crédit Lyonnais, to the Europartners banking alliance, said it had rejected an offer of Pta60bn for 20 per cent of its equity.

Hispano said yesterday that it had rejected the French bank's advances because Crédit Lyonnais wanted not just a partnership, but to take outright control.

BCE will offer Crédit Lyonnais control. In addition, its small and medium company client list and retail banking activity will complement the French bank's existing activities in Spain, where it has a number of branches but concentrates mostly on major corporate business.

Banque Nationale de Paris (BNP), the other main French state-owned bank, ran into difficulties earlier this year with its attempts to acquire a Spanish branch network by exchanging its French subsidiary Crédit Universel for Credito y Ahorros, a subsidiary of Banco Bilbao Vizcaya (BBV), and a number of BBV branches.

BCE itself made pre-tax profits of Pta4bn in 1989, and is estimated to have a return on average assets of around 1.8 per cent, substantially higher than French banks are used to in their own operations.

Putting together the best parts

William Dawkins on a marriage of public service and construction

LYONNAISE des Eaux and Dumez are not the first to discover that a marriage between public services and construction can be very fruitful.

Yesterday's merger between France's second largest water supply group and its second largest construction company – in profits terms – is the latest and most spectacular example of a trend that has been evident in France and Spain in recent years, but has yet to catch on to the same extent elsewhere in Europe.

It will bring greater competition for Bouygues, France's largest construction company, and for Générale des Eaux, France's top water supplier, which have followed a similar strategy and no doubt provided inspiration for this merger.

The aim is to create "a large French group, on a European scale but with a global vocation in the domains of managing the environment and urban development," said Mr Jérôme Monod, chairman of Lyonnaise des Eaux and senior partner in the deal. He will become president of the new group.

Quoting the French poet Paul Valéry, Mr Jean-Paul Parayre, Dumez's chairman, who will become vice president of the new group, said the deal would "put together our best parts and take advantage of our differences."

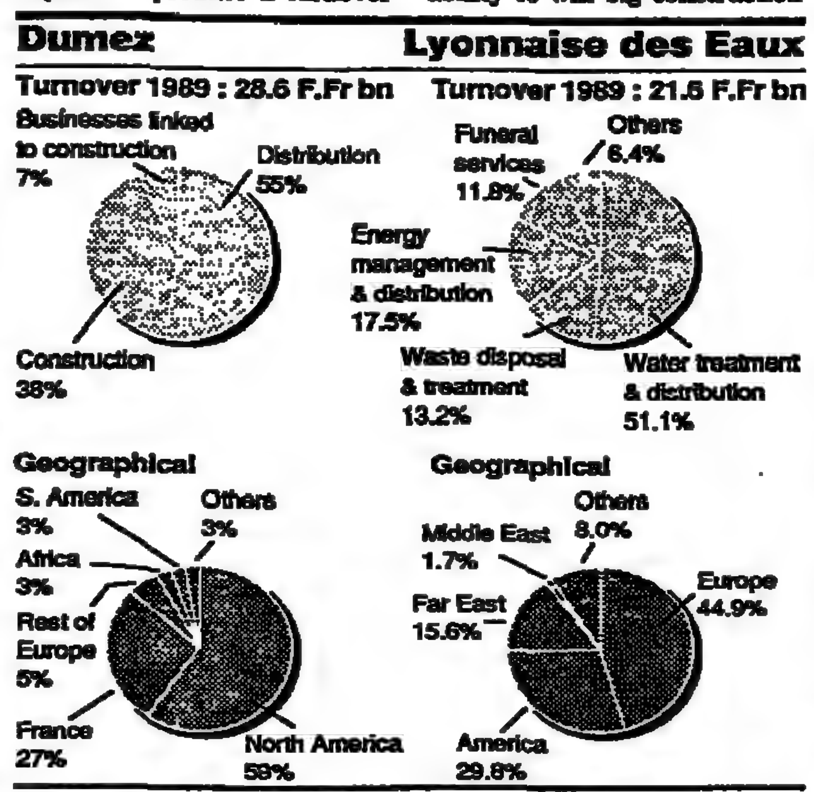
The basic idea behind this and other mergers between construction groups and public utilities is to provide local authorities with as full as possible a range of services, from road building to sewers, to gain an edge over more specialised contractors.

Générale des Eaux is the most recent example, with its acquisition of control two years ago of Société Générale d'Entreprise, the former construction subsidiary of the Saint-Gobain glass group. Construction now accounts for 35 per cent of the water company's turnover, though a much lower proportion of profits.

But the trend was originally set by Bouygues, which in 1984 took control of Saur, France's third largest water supply group, which now accounts for nearly 9 per cent of the construction company's turnover.

In Spain, the pioneers in this domain are Dragados, the country's leading construction company, with diversifications into waste collection and treatment, as well as Focsa, a medium-sized construction group with half its turnover in waste collection.

Yesterday's merger will create a combine, to be christened Lyonnaise des Eaux-Dumez, with 110,000 staff, which expects to produce a turnover of FFr82bn ($14.8bn) this year, up from their combined sales of FFr50.2bn in 1989.



Their combined net profits of FFr1.3bn last year are estimated to rise by at least 25 per cent in 1990, said Mr Monod. Of total sales, 45 per cent will be in development and construction – essentially Dumez's businesses; with 27 per cent in water, energy and waste disposal; 21 per cent in distribution of electrical and plumbing equipment; and the 8 per cent balance in other services.

Beyond forming part of a trend towards what Mr Monod called "green industries," yesterday's merger comes for several more specific reasons, from which Dumez appears to draw clearer benefits than Lyonnaise des Eaux. Mr Monod and Mr Parayre, who have known each other for two decades, have discussed potential common business interests on and off for the past five years, but only began to negotiate in earnest a few days ago, said the Lyonnaise des Eaux chairman.

Dumez has long needed a firmer foothold in France, which provides just over a quarter of its business, not enough to make up for the decline of lucrative construction markets in oil producing countries. Traditionally, Dumez' strong point was its ability to win big construction contracts in the Middle East and Africa, where its most publicised monument is a surreal cathedral based on St Peter's in Rome, in the Ivory Coast.

Overseas contracts accounted for 85 per cent of turnover until, like other construction groups, Dumez found them starting to dry up five years ago.

It has since managed to win prestige contracts in France – for example it leads the French side of the construction consortium for the Channel Tunnel and is involved in the Louvre extension and the new Ministry of Finance. However, these are not believed to have been major profit contributors.

Dumez needs to do more to get its name known by French local authorities, who provide the bread and butter of the domestic construction business, says Mr Pierre Bosset, European construction analyst for the DLP-James Capel securities firm. Good contacts with local authority procurement departments are one of Lyonnaise des Eaux's big strengths.

Dumez has relied so far on diversification into electrical and building supplies to make up for decline in overseas construction. In 1987, it took control of Canada-based United Westburne Industries, North America's largest supplier of electrical and plumbing equipment.

By last year, distribution accounted for more than half of Dumez' sales, and should increase further thanks to its takeover of CGE Distribution from Compagnie Générale d'Electricité, the telecommunications and engineering group.

Mr Monod has often regretted his company's relatively small size against Générale des Eaux, which reported turnover of FFr98.4bn last year, four and a half times Lyonnaise's FFr21.6bn sales in 1989.

Lyonnaise des Eaux is already well diversified, into funeral services, waste disposal, energy management, health and cable television. It could easily make use of Dumez's extensive links with other European construction companies, to push further into foreign markets as EC trade barriers are dismantled.

Dumez has stakes of various sizes in foreign counterparts such as Alfred McAlpine of Britain; CFE, Belgium's top construction group; Copisa of Spain; and Dywidag of West Germany. This give it a network with few equals in the EC, say analysts.

The duo also has common interests in Japan, where Dumez signed a joint venture with Tobishima, another construction group, early last year and claims to be among the first Western companies to have a construction licence in Japan. Lyonnaise des Eaux's water treatment subsidiary, Degrémont, has recently started operations there and in south-east Asia.

The hard details of just how they will make their common interests work better together than apart will be the subject of much deep reflection over the summer holidays, before the merger receives its finishing touches in September.

Meanwhile, as Mr Monod puts it: "We are no longer planning only on the basis of our old quasi-domestic European market. We must also compete with the rest of the world, on at least equal terms with the Americans and Japanese."

Constar's PET drinks to growth

Peter Marsh reviews the progress of the US plastic bottle maker

Pick up a bottle of fizzy drink in either the US or Europe and you have a good chance of coming into contact with a product made by Constar International, the largest US maker of plastic containers.

Few people have heard of Chattanooga-based Constar, which was established in 1927 as Allied International. Its name is easily confused with the series of Comstar space satellites which the US ejected into orbit during the late 1970s.

Despite its relative anonymity the company – formerly called Dorsey, it took the Constar name in 1987 – has seen rocketing growth in the US thanks largely to the soaring demand in plastics packaging.

Most of Constar's expansion is due to heavy use in the past few years of containers made from polyethylene terephthalate (PET), which accounted for two-thirds of its 1989 sales.

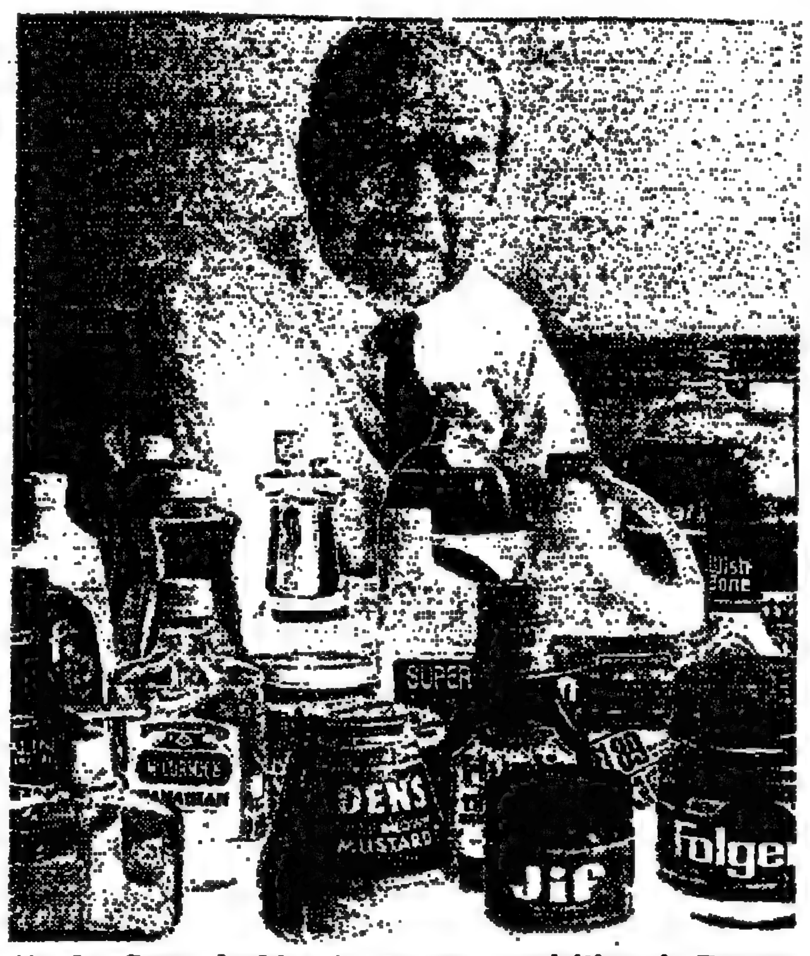
In the past year, however, growth in demand for PET bottles in the North America has started to wane. As a result the company has turned its attention to Europe.

Last year Constar formed a joint venture in Europe with two other groups. In a matter of months this has become the continent's largest maker of PET containers. It claims a fifth of the west European market in these products worth about $900m a year.

The European joint venture, called Wellstar, has as its other partners Wellman, a US plastics company which specialises in PET recycling, and Enimont, the biggest Italian chemicals group. Constar and Wellman each own 44 per cent and Enimont has the remaining 12 per cent.

Wellstar has built up its presence in Europe by buying five European PET-packaging plants from existing operators for $70m. Two of the factories are in the Netherlands, two in Britain and one in France.

Mr Charles Casey, a packaging industry veteran and chairman of Constar since 1988, says his company is looking for further acquisitions in Europe via the Wellstar consortium.



Charles Casey: looking for further acquisitions in Europe

"We want to take advantage of the opportunities," says Mr Casey. He reckons PET bottle demand in Europe may grow over the next few years at an annual rate of up to 20 per cent, mirroring the expansion seen in the US during the 1980s.

Constar's annual sales have climbed from $372m in 1986 to $542m in 1989, all of this coming from the US. Besides PET containers, the company also makes packaging made from other plastics such as polyethylene and polypropylene.

As Dorsey, it was a run-of-the-mill US conglomerate. It had interests in a number of manufacturing activities including cargo trailers, glassware, restaurants as well as plastics products. The name change accompanied a company decision to focus exclusively on plastic containers.

PET is a clear, hard plastic which constitutes a relatively minor part of the world's $100bn-a-year plastics industry. Its first large-scale applications in packaging appeared as recently as the 1970s.

Annual PET use in plastic bottles and other containers in the US doubled between 1985 to 1989, to about 500,000 tonnes – or roughly a quarter of all plastics used in containers. Some 7bn PET bottles, mainly for soft drinks, were made in the US last year, twice the number at the beginning of the 1980s. Total PET container sales in the US in 1989 were about $2bn.

The surge in use of PET bottles in the US has been good not only for Constar and its main rivals such as Johnson Controls, another big US maker of PET packaging, but for the suppliers of the plastic itself. Large PET makers such as the US's Eastman Kodak, West Germany's Hoechst and Imperial Chemical Industries of Britain, have expanded production to meet demand.

But after all the growth in the US, the market has slowed down in the past year or so. PET bottle sales in the US look like expanding at only a few per cent a year during the 1990s, partly because of competition from other packaging suppliers such as makers of soft-drinks cans.

Another factor has been the upsurge in interest in environmental matters. Plastics packaging adds up to a highly visible form of refuse. Some consumers appear to be cutting back on PET-bottle purchases as a way of easing the pressure on waste-dumping sites.

PET is relatively easy to recycle, which explains why Wellman has created a large business in the US – which it is trying to expand to Europe – in converting used PET bottles into new products. But generally the PET recycled in this way contains impurities. So it cannot be used in new bottles or other forms of packaging which hold food and drink, but instead ends up in products such as oil containers or building materials.

Mr Casey is not disheartened, however, by the bleaker outlook in North America for conventional PET bottles for soft drinks. He thinks a big potential exists for growth in forms of plastics packaging where PET use is underdeveloped. This applies particularly to certain food applications; consumers have only recently started to get used to seeing, for instance, plastic containers for peanut butter rather than glass jars.

The Constar chairman is especially excited by a new technology invented by Constar for forming PET bottles so that they can withstand high temperatures without melting.

That immediately opens the way to using the plastic for items – tomato ketchup and apple juice for example – which are normally poured hot into their containers on the packaging line and for which plastics have in the past been inappropriate. Mr Casey is licking his lips in anticipation.

Mahindra drops 'hostile' director

By R. C. Murthy in Bombay

MAHINDRA and Mahindra, India's largest light vehicle and tractor manufacturing company, has decided to drop from its board Mr Satish Malhotra only eight months after he was elected as a director with the intention of helping fortify the management against takeover threats.

The decision was made on the advice of Mr Keshub Mahindra, its chairman, who now sees Mr Malhotra's intentions as hostile to the company after a surprise stake-building exercise.

Mr Malhotra, chairman of Empire Industries, a medium-sized Bombay business group, is related to the Mahindras through the marriage of his daughter. The co-option of him and Mr Anand Mahindra to the M&M board last November triggered a family feud over the successor to Mr Keshub Mahindra.

The management had tried to fortify its position by allotting the unsubscribed portion of a Rs2bn convertible debenture issue last November to the Empire group, which would have a 4.2 per cent equity stake after conversion two years later. The allotment was made on the express understanding that Empire would just park the funds in debentures to ward off takeover threats.

Mr Malhotra later moved to lift Empire's stake to more than 13 per cent through market purchases and a complicated deal with an expatriate Indian and a US company.

Mr Malhotra met officials of the Securities and Exchange Board of India (Sebi) last week, which he says was only to seek clarifications on the country's new takeover code. However, others allege he was seeking to register his 13 per cent stake – the guidelines require Sebi to be notified of purchases involving more than a 1 per cent shareholding in a public company.

At the shareholders' meeting in August the board is to retain its endorsement for Mr Anand Mahindra, a nephew of the chairman.

M&M, sales of which rose 37 per cent to Rs9.21bn ($532m) in the year to March, has interests in vehicles, steel, machine tools and electronics. Pre-tax profits were up 20 per cent to Rs183.7m, and net earnings 22 per cent higher at Rs159.8m.

Former head of Hooker bankrupt

MR GEORGE Herscu, the former head of Hooker, the collapsed Australian property and retail group, has declared himself bankrupt with debts of almost A$500m (US$400m), Reuter reports from Melbourne.

Hooker was put into receivership in July last year with debts of about A$2bn. According to Mr Herscu's statement of affairs, the biggest unsecured creditor is Australia and New Zealand Banking Group, which is owed A$122m.

His total liabilities amount to A$496.8m. These compare with assets owned by Mr Herscu and his wife Sheila of just A$212,000, including a Rolls-Royce, a Cadillac and a 35 per cent share in a racehorse.

Hooker's failure followed a push into US retailing and property under Mr Herscu's direction in the late 1980s.

Court halts Metal Closures resolution

By Philip Gawith in Johannesburg

THE RAND Supreme Court yesterday granted an interim interdict restraining the Registrar of Companies from registering the special resolutions passed on Tuesday at a shareholders' meeting of Metal Closures Group South Africa.

The resolutions sought to buy out the minorities in the company following the takeover of the UK-based Metal Closures parent earlier this year by Wassall, a British mini-conglomerate.

Opposition arose on the grounds that the offer in effect expropriated the shares of minorities at an unfavourable price. Deferring proceedings until August 1, Mr Justice Levy said there were important legal and commercial issues at stake and the matter should not be treated lightly.

Nippon Steel to investigate US computer market

NIPPON STEEL of Japan has set up a company in Santa Ana, California, to examine the US market for personal computers, Reuter reports from Tokyo.

A company official said the unit, NS Computer Systems, would look at the possibility of production and sales of personal computers in the US and may search for local partners.

Nippon Steel does not now manufacture personal computers but is considering doing so and could enter the US market before the Japanese market, the official said.

It has, however, been producing engineering workstations and mini-supercomputers since the mid-1980s.

Swilynn to bid for Teletech

SWILYNN International Holdings, a Hong Kong video cassette manufacturer, is to make a general offer for Teletech International Holdings, a local electronics manufacturer, Reuter reports from Hong Kong.

A Stock Exchange statement said Swilynn will offer HK$4.50 in cash plus two Swilynn's shares for every 10 shares of Teletech. Analysts estimated Swilynn now controls about 20 per cent of the issued capital of Teletech.

Trading in shares of Swilynn and Teletech was suspended yesterday at the companies' request. On Tuesday, Swilynn ended 10 cents down at HK$6.80 per share and Teletech closed at HK$1.47, down 33 cents.

INTERNATIONAL CAPITAL MARKETS

German bond prices rise despite rate hike fears

By Deborah Hargreaves in London and Janet Bush in New York

WEST German government bond prices edged up slightly yesterday as traders turned their attention to today's Bundesbank meeting which is to be held for the first time in East Berlin.

The Bundesbank injected a fairly generous amount of liquidity into the monetary system yesterday with its regular weekly repurchase agreement. But there are some signs that the Bank is having difficulties managing liquidity in the money market as German short-term interest rates have risen sharply.

Few market observers are expecting the Bundesbank to raise interest rates at its meeting today, which is seen largely as a symbolic occasion. However, the chances of a rate rise have risen slightly in the last week as money market rates have increased and the D-Mark has sunk to a low in the European Monetary System. A rise would help to head off some of the expected inflationary pressures of German union. These are, however, yet to show up in the economy where wholesale price figures for June, which were released yesterday, showed a 0.3 per cent decline from May's level.

Bund futures on the London International Financial Futures Exchange closed at 83.56 yesterday after opening at 83.33 following a close on Tuesday of 83.25. but trading was lacklustre and volume reached only some 24,000 lots.

The spread between the French and German markets was stable at around 100 basis points as the French bond market remains stagnant. The French authorities will be carefully watching the Bundesbank's meeting since French short-term rates have risen in line with those in Germany.

■ GILT-EDGED securities re-established their relationship with the pound yesterday when the market moved entirely in line with the currency. As sterling opened slightly weaker, gilts prices moved down, but followed the pound back up again later in the day.

Long-term gilts prices were about ¼ of a point lower at the close of the market after having been ¾ down at one stage.

■ US Treasuries were boosted to modest gains at midsession yesterday after what was generally accepted to have been the successful distribution of Tuesday's $5bn auction of Resolution Trust Corp paper.

The dismal history of Refcorp auctions so far had worried the market so, despite the fact that demand was mostly inspired by arbitrageurs taking long positions in Refcorp bonds and shorting 30-year Treasuries, there was still a substantial measure of relief. The shift by the Treasury back to a 30-year maturity for the Refcorp issue from 40-year has clearly worked.

At midsession, the Treasury's benchmark long bond was quoted ¾ point higher for a yield of 8.51 per cent.

The focus yesterday morning was on the impending record auction of $8bn in seven-year notes. There was some caution because this maturity is rather awkward for most investors – being too long for those investors who want short paper and too short for pension funds and insurance companies with long-term liabilities.

One factor helping Treasuries yesterday was a firmer dollar after two days of significant strength in the yen on interest rate speculation and in sterling on anticipation of early entry to the exchange rate mechanism of the European Monetary System.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-02	+02/32	12.60	12.37	12.66
		10.500	5/99	92-06	+01/32	11.94	11.81	12.05
		9.000	10/08	84-07	-03/32	11.01	10.92	11.14
US TREASURY *		8.875	05/00	102-08	+08/32	8.53	8.38	8.40
		8.750	05/20	102-12	+12/32	8.53	8.38	8.46
JAPAN	No 119	4.800	6/99	86.8212	+0.073	7.22	7.17	7.14
	No 2	5.700	3/07	91.0426	+0.072	6.85	6.80	6.60
GERMANY		7.750	02/00	93.9000	+0.200	8.69	8.55	8.85
FRANCE	BTAN	9.000	02/95	96.2597	-0.033	10.02	9.93	10.14
	OAT	8.500	03/00	92.6700	+0.070	9.70	9.69	9.81
CANADA *		8.750	05/00	94.1000	+0.025	10.73	10.88	10.81
NETHERLANDS		9.000	05/00	101.1100	+0.160	8.82	8.75	9.04
AUSTRALIA		12.000	7/99	93.2898	+0.049	13.30	13.36	13.53

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

Bond defaults reach $5.7bn

THE Bond Investors Association said 26 corporate bond issuers defaulted on issues totalling $5.7bn during the second quarter of 1990, bringing the year-to-date corporate default in the US to $11.4bn, an increase of 150 per cent over the first half of 1989, AP-DJ reports from Washington.

Richard Lehmann, president of the group, said that the growing corporate default rate reflects both the explosive growth in junk bond volume since 1985 and the generally poorer quality of the outstanding issues.

"Given that the junk bond market will likely remain selective for the near future and given the outlook for a weaker economy in the months ahead, we would expect the current default rate to continue," Mr Lehmann said. "A $20bn default pace will certainly hamper a recovery of the junk bond market and add to an economic decline."

The group said municipal bond defaults in the second quarter came to about $93m.

Individual investors win rights dispute

By Janet Bush in New York

US individual investors won a rare victory in a long-running battle for stronger rights in disputes with their brokers when a New York court ruled that they could bring complaints to an independent arbitration panel.

As the law and practice currently stand, investors have limited rights to sue their brokers and, in many cases, are bound by the decisions of arbitration panels which are backed by the securities industry. Investors feel that these are therefore not guaranteed to be impartial.

The New York State Court of Appeals, whose decisions are far-reaching because most brokerage agreements are governed by the laws of New York State, ruled in a 6-0 decision that customers can choose to bring their disputes to an independent panel.

The largest of these is the American Arbitration Association which is privately funded and appears to be more sympathetic to small investors who win 60 per cent of their cases. In the case of panels sponsored by various exchanges, their chances of winning are no better than 50 per cent.

This week's decision does not affect millions of investors who sign a standard agreement when they open an account with their brokers which forces them to pursue arbitration rather than a lawsuit if they find themselves in dispute.

In the last few years, investors' rights in the case of disputes have tended to do rather worse than those of their brokers. Last year, the US Supreme Court issued a complex decision which made it more difficult for individual investors to sue their brokers by broadening the binding power of arbitration procedures.

Australian bank rated Triple A

By Bruce Jacques in Sydney

MOODY'S Investors Service, the US-based credit rating agency, has assigned a Triple A rating to debt of the Rural and Industries Bank (R&I), the Perth-based bank which is owned by the West Australia Government.

The rating comes just one week after the bank reported a loss of almost A$88m for 1989 and represents a vote of confidence by the agency in the West Australian economy.

Moody's rating applies to two outstanding R&I Eurobond issues totalling A$135m. A Prime-1 rating was also assigned to the bank's short term obligations.

The ratings rank the R&I ahead of the State Bank of Victoria, which is owned by the Victoria Government and recently had its debt downgraded by Moody's to AA1.

R&I is also ranked ahead of Australia's leading trading banks, which recently failed to obtain Tripe A status from either Moody's or its ratings rival, Standard and Poor's.

Moody's yesterday justified its rating of the R&I through the unconditional guarantee of the bank by the West Australia Treasury. "Also crucial to the ratings are the bank's state ownership, its strong capital position and its solid posture in the state market," Moody's said.

The agency also cited the Australian Government's ability to assume state debts if necessary and to render any financial assistance deemed appropriate.

● St George Building Society, Australia's biggest such society, announces an unchanged net profit of A$45.6m for the year to May. Mr Jim Sweeney, chief executive, said the result was strong given difficult economic conditions and poor performances by competitors.

Sumitomo sets up Hong Kong fund unit

SUMITOMO Trust & Banking has set up a regional fund management unit in Hong Kong with Thornton Management (Asia) as investment advisers, Reuter reports from Hong Kong.

"Sumitomo Trust's expansion to Hong Kong is evidence of strong Japanese interest in the region," said Mr David Harding, director of Thornton Management.

He said Japanese investors find south-east Asia's smaller markets very attractive and are expected to increase indirect investment in them significantly over the next few years.

Sumitomo Trust manages over Y13,000bn.

INTERNATIONAL CAPITAL MARKETS

Consensus pricing aids Japanese warrant deals

By Tracy Corrigan

CONSENSUS pricing by the four big Japanese securities firms helped maintain an orderly market when five Eurodollar bonds with equity warrants were launched yesterday, following the re-opening of the sector last Friday.

All five issues were launched with fixed coupons of 4¾ per cent, a level agreed following consultations between issuers and lead managers in Tokyo.

Several of the issues were originally scheduled for launch on Monday or Tuesday, but were delayed so that a consensus could be reached.

A further issue is expected this week, and three more this month, all of which are also likely to carry 4¾ per cent coupons.

The consensus on pricing was needed to avoid any temptation to cut coupons, following the surprisingly strong performance of Daikyo's $300m issue last Friday, which traded as much as 9 percentage points above its issue price.

That was the first deal since issuance was suspended last March, when prices dived as a result of heavy losses in the Japanese stock market.

Following this long suspension, the securities houses are keen not to jeopardise the re-opening of the market.

Among the new issues launched yesterday, the smallest, a $170m issue with warrants for JGC, the Japanese engineering company, was the star performer. It was bid at 109, a premium of 9 points to the issue price. The other issues also traded above issue price, mostly at around 104 and 105.

Meanwhile, the European Investment Bank brought an aggressively priced $500m 10-year Eurobond via Merrill Lynch. Merrill won the mandate after a round of competitive bidding. The 9⅛ per cent 10-year bonds were priced at a yield spread of 47 basis points above the comparable US Treasury. At this level, there was no yield pick-up over the EIB's outstanding issues which mature in 1999, while the World Bank's 8¾ per cent global bonds due in 1999 yields just a few basis points less.

INTERNATIONAL BONDS

Lead manager Merrill Lynch admitted the issue was tightly priced but said that the lack of recent sovereign and supranational debt in the sector had created pent-up demand.

The EIB is not swapping the funds, but has locked in the spread, an official there said.

The EIB has increased its expected funding programme for 1990 to around Ecu12bn, from original expectations of around Ecu11bn. In view of its heavy funding programme, some dealers suggested the aggressive pricing of the issue could backfire. If the issue performs poorly in the secondary market, EIB's costs could rise when it next taps the market.

But there seems little doubt that the issue will be comfortably placed. Dealers said that some institutional investors are just waiting to buy the issue at a discount equal to underwriters' fees.

Also in the dollar sector, Nafinsa, Mexico's government-owned industry financing agency brought a $100m five year issue via Credit Suisse First Boston. The 11¼ per cent bonds were priced to yield 360 basis points above the five-year US Treasury, or 330 basis points above the three-year (there is a put option at the end of the third year). Analysts say that the demise of the junk bond market has created pockets of demand for high-yielding paper. Nafinsa has already tapped the D-Mark sector earlier this year and CSFB reported some demand from German retail investors, as well as from the remaining players in the LDC debt.

Another Mexican borrower, Petroleos Mexicanos, tapped the Austrian market. The Sch500m six-year issue carries an 11 per cent coupon. Pemex also tapped the D-Mark sector earlier this year.

■ The African Development Bank has launched a Y30bn seven-year issue of "daimyo" bonds in the Japanese domestic market. The bonds carry a coupon of 7¼ per cent and are priced at 100⅞%. Nomura Securities is lead manager, and Industrial Bank of Japan is chief commissioned bank. Daimyo bonds are listed on the Luxembourg stock exchange.

■ THE Hong Kong branch of Chemical Bank is winding up its foreign exchange operations. It also plans to close its Taiwan branch in the next three to four months, AP-DJ reports from Hong Kong.

Chemical, which has its chief Asian forex operations based in Tokyo, said the move is aimed at consolidating non-Japanese regional treasury and trading operations.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
EIB(b)◆	500	9⅛	99⅞	2000	32½/20bp	Merrill Lynch
Sumitomo Bank Int.Fin.(a)◆	500	9.55	99.972	2000	65/40	Goldman Sachs & Co.
Sumitomo Metal Ind.♦	320	4¾	100	1994	2¼/1½	Nikko Secs. (Europe)
Furukawa Electric♦	300	4¾	100	1994	2¼/1½	Yamaichi Int. (Europe)
Kao Corp.(c)♦	300	4¾	100	1994	2¼/1½	Yamaichi Int. (Europe)
Kuraray Co.♦	200	4¾	100	1994	2¼/1½	Daiwa (Europe)
JGC Corp.♦	170	4¾	100	1994	2¼/1½	Nomura Int.
Nacional Financiera(d)◆	100	11¼	98¾	1995	1⅜/1	CSFB
YEN						
Alliance & Leicester(b)◆	15bn	7.4	101⅜	1993	1⅜/1	Mitsui Taiyo Kobe Int.
AUSTRIAN SCHILLINGS						
Petroleos Mexicanos(b)◆	500	11	100	1996	1.95/1	Creditanstalt-Bankverein
SWISS FRANCS						
Secos Corp(b)★★◆	20	7⅝	100¼	1995	1⅜	Dai-Ichi Kangyo Bank

★★Private placement. ♦With equity warrants. ◆Final terms. a) US domestic issue. Coupon paid semi-annually. Non-callable. b) Non-callable. c) $100m launched in Asia. d) Put in August 1993 at 98.45.

Securitisation is on the cards for the UK

Tracy Corrigan explains why British retailers may follow a path well-known in the US

A change in accounting standards may nudge UK retailers like Next and Burton further towards securitisation of their charge card business, a path already well trodden by US counterparts like Sears, Roebuck. But potential issuers remain wary of processing and funding costs, and legal pitfalls in the unfamiliar UK market.

Under the 1989 Companies Act, retailers like Next and Burton will have to consolidate finance subsidiaries' accounts in their next yearly earnings statements. This could give retailers, whose finance subsidiaries' assets include consumers' credit card debts, or receivables, an added incentive to remove these assets from their balance sheets.

They can do this by repackaging them and selling them to investors as asset-backed bonds, a process known as securitisation.

The Act requires the consolidation of finance subsidiaries' accounts, even when the parent company's business is substantially different. Mr David Keens, treasurer of Next, says that his company's interest in securitisation lies in its role as the owner of a financial services unit. Next's Club 24, a consumer financing business, has around £300m of receivables which could be securitised. Next itself has around the same sum, in the form of customer receivables from its mail order operations.

Because of the change in accounting statutes, Club 24 accounts will have to be consolidated with Next's accounts, at the end of January 1991. In January of this year, Next presented separate accounts for Club 24.

"We have looked seriously at securitisation and we like a lot of what we see. Unfortunately,

Credit card debts can be repackaged and sold to investors as asset-backed bonds

there are a number of complications," says Mr Keens.

One complication is that such transactions may not be sanctioned under the Consumer Credit Act, which covers all consumer loans under £15,000. Issuers might be legally required to gain the consent of every credit card holder.

However, the first UK car loan-backed Eurobond, a £328m issue of floating-rate notes for a car financing unit of Standard Chartered, was successfully structured to circumvent such impediments, a Standard Chartered official said.

But the funding costs could prove prohibitive, and companies which are already well capitalised may find little incentive to pay up. The all-in cost for an issuer of asset-backed securities in the sterling market would be around 50 basis points above the London Inter-bank Offered Rate. This includes an annual cost of about 15 basis points for so-called credit enhancement, insurance or letters of credit to improve the credit ratings of the bonds. Against that, a borrower like Marks and Spencer can achieve floating-rate funding well below Libor by tapping the fixed-rate Eurosterling market.

"The market is increasingly familiar with securitisation, so the premium [which new issuers have to pay] should decline," says Mr Ken Cox, head of securitisation at Baring Brothers. However, there is concern that there will be a deluge of issues which will probably keep such a premium in place for some time, he adds.

Mr Keith Oates, Marks and Spencer's finance director, says the company has looked at a number of schemes, but not with a serious intention of issuing. The AAA-rated company already has a strong balance sheet, having lowered its debt-to-equity ratio to 17 per cent, (this includes the company's financial operations), and does not need further funding for the rest of this year. Its charge-card receivables total around £250m.

Potential issuers may also be deterred by the back-office drudgery which the structuring of these transactions entails. "It can take six months to a year to go through the systems side. That makes the costs, in time as well as money, prohibitive for some players," says one investment banker.

A Burton official said the company was not planning to issue such debt in the near future, but declined to elaborate.

Some executives resist the idea of securitisation because, historically, growth in assets has been identified as a symbol of success, so selling assets strikes them as undesirable, investment bankers say.

"Securitisation means giving up gross profits for increased profitability, as measured by return on equity," points out Mr Mark Fisher, head of securitisation at Samuel Montagu.

Stricter capital adequacy requirements imposed by the Bank for International Settlements have already focused banks' attention on return on equity. By far the largest holders of credit card receivables, banks could still prove the key to the growth of the sector.

Bankers say £250m is probably the minimum pool-size worth securitising, and relatively few UK retailers command this amount of receivables. By contrast, Midland Bank, for example, has a £1bn pool of credit card receivables. In addition, most of the country's hire purchase companies, the other class of issuer which commands sufficient volume of receivables, are subsidiaries of banks.

Even in the £7bn sterling mortgage-backed securities market, almost all the issuers to date have been the specialist mortgage companies. The participation of a broader range of issuers in the market for sterling asset-backed securities, as in the US market, would boost the market's credibility.

South African borrowers raised SFr200m

By Stephen Fidler, Euromarkets Correspondent

SOUTH African borrowers have raised about SFr200m in the Swiss bond market this year to refinance a significant proportion of maturing bond issues, according to Swiss bankers.

This suggests, bankers say, a slightly easier environment for the refinancing of South African bond debt following the starting of talks between the South African Government and the African National Congress.

South Africa has a significant burden of repayments to foreign creditors over the next year or so, but it is not clear what proportion of the debt it has been able to refinance.

One of the latest issues to be reported is a privately-placed issue guaranteed by the Republic of South Africa through Swiss Bank Corporation of SFr50m. It carries a par issue price, a 9¾ per cent coupon and a 1993 maturity. The issue may have refinanced an SFr50m issue with a 6¾ per cent coupon issued in 1985 for South African Transport Services and guaranteed by the republic. The bank would not confirm the transaction.

Eskom, South Africa's state electricity commission, said in May it plans to refinance about half its R700m bond issues coming due in 1990 and 1991.

Taiwan broker to close

CHAO Cheun Securities, a Taiwan broker, has closed after defaulting on settlement of about T$600m, Reuter reports from Taipei. This is the first brokerage house ever to close in Taiwan.

The Securities and Exchange Commission (SEC) said it had sent officials to investigate the closure.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed Jul 11 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Jul 10 Index No.	Mon Jul 9 Index No.	Fri Jul 6 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (196)	879.53	+1.0	13.16	5.28	9.28	22.72	871.10	873.60	877.35	977.76
2 Building Materials (26)	1098.72	+0.8	13.93	5.48	8.87	30.01	1089.80	1099.26	1110.40	1201.87
3 Contracting, Construction (36)	1428.06	+0.7	16.64	5.75	7.82	35.19	1418.13	1421.84	1433.08	1659.57
4 Electricals (10)	2470.29	+0.3	11.63	5.39	10.58	61.43	2461.69	2455.36	2461.52	2870.34
5 Electronics (26)	1810.16	+1.5	10.43	4.45	12.48	51.23	1783.84	1788.56	1803.85	2239.15
6 Engineering-Aerospace (8)	479.85	+1.3	13.50	4.90	8.83	9.54	473.66	473.17	472.79	0.00
7 Engineering-General (46)	489.10	+0.1	12.02	5.23	10.06	11.34	488.77	489.28	490.04	0.00
8 Metals and Metal Forming (6)	481.81	+0.4	23.96	6.97	5.08	16.45	479.80	482.43	481.49	520.16
9 Motors (14)	363.46	-0.1	15.28	6.33	7.62	9.81	363.87	362.81	363.27	331.78
10 Other Industrial Materials (24)	1594.51	+1.6	11.05	5.06	10.46	38.49	1569.26	1573.12	1574.26	1674.65
21 CONSUMER GROUP (178)	1306.70	+1.1	9.32	3.86	13.26	21.74	1292.39	1297.38	1299.69	1279.94
22 Brewers and Distillers (22)	1614.72	+0.8	9.44	3.61	12.73	23.74	1602.17	1608.86	1611.49	1419.24
25 Food Manufacturing (20)	1092.38	+0.3	10.49	4.33	11.80	22.71	1089.39	1099.44	1105.98	1178.40
26 Food Retailing (16)	2523.84	+0.8	9.18	3.26	13.95	33.61	2504.65	2505.93	2501.20	2404.01
27 Health and Household (15)	2610.36	+1.9	6.59	2.65	18.05	25.10	2562.89	2565.33	2541.88	2268.09
29 Leisure (32)	1457.82	+0.7	10.00	4.24	12.16	32.35	1447.73	1469.71	1491.38	1710.41
31 Packaging & Paper (12)	614.92	+0.8	10.83	5.59	11.37	12.94	610.08	607.70	607.12	584.11
32 Publishing & Printing (16)	3527.52	+0.5	10.21	5.24	12.24	81.93	3509.51	3545.19	3547.10	3624.69
34 Stores (34)	803.97	+2.1	10.98	4.66	11.79	15.90	787.51	784.64	792.81	848.39
35 Textiles (11)	496.46	+0.6	12.40	7.24	10.17	18.26	493.49	495.97	494.61	551.75
40 OTHER GROUPS (106)	1198.80	+1.4	10.88	4.94	11.06	17.45	1182.76	1184.45	1185.90	1193.00
41 Agencies (17)	1722.17	+1.2	5.86	2.22	20.65	15.75	1701.77	1708.10	1711.00	1406.00
42 Chemicals (23)	1277.59	+1.2	11.00	5.19	10.63	31.87	1262.66	1267.78	1276.77	1288.04
43 Conglomerates (15)	1623.95	+2.3	10.56	6.14	11.35	31.95	1587.33	1602.46	1610.52	1734.38
44 Transport (13)	2324.09	+1.1	10.57	4.46	12.01	49.33	2298.65	2296.51	2286.98	2554.69
46 Telephone Networks(2)	1260.83	+1.2	10.64	4.47	12.23	3.78	1245.63	1240.82	1237.76	1097.30
47 Water(10)	1976.66	+1.3	16.23	6.85	6.89	0.00	1951.98	1951.28	1949.82	0.00
48 Miscellaneous (26)	1826.22	+0.9	12.16	4.91	9.37	38.44	1810.40	1806.96	1807.28	2042.40
49 INDUSTRIAL GROUP (480)	1178.39	+1.2	10.73	4.54	11.38	21.41	1164.96	1168.28	1170.86	1197.44
51 Oil & Gas (20)	2302.00	+1.4	12.77	5.36	10.26	46.50	2271.16	2293.82	2294.60	2132.74
59 500 SHARE INDEX (500)	1272.88	+1.2	11.01	4.65	11.22	23.49	1258.02	1262.84	1265.30	1276.98
61 FINANCIAL GROUP (108)	807.00	+1.0	-	5.67	-	21.27	798.65	803.27	802.06	768.89
62 Banks (9)	863.67	+1.5	18.97	6.25	6.90	25.62	851.07	858.48	850.53	748.35
65 Insurance (Life) (7)	1471.34	+1.3	-	4.99	-	36.94	1452.03	1450.53	1449.90	1127.45
66 Insurance (Composite) (6)	688.55	+1.6	-	6.01	-	19.43	677.98	682.86	690.32	612.70
67 Insurance (Brokers) (8)	984.30	+1.0	8.75	6.54	15.06	31.64	975.02	986.88	989.53	966.66
68 Merchant Banks (7)	434.19	+0.2	-	4.67	-	10.76	433.47	434.91	435.63	347.74
69 Property (47)	1099.63	-0.2	7.97	4.29	16.12	19.57	1101.70	1103.98	1102.82	1396.35
70 Other Financial (24)	288.33	+0.4	10.59	6.79	12.23	8.66	287.29	289.25	290.96	371.09
71 Investment Trusts (67)	1215.00	+0.5	-	3.21	-	17.97	1208.57	1214.40	1217.40	1191.34
91 Overseas Traders (5)	1430.34	+0.3	9.85	6.39	12.13	44.49	1426.22	1429.57	1445.36	1387.05
99 ALL-SHARE INDEX (680)	1160.62	+1.1	-	4.77	-	22.74	1147.60	1152.34	1154.10	1152.23
	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 10	Jul 9	Jul 6	Jul 5	Jul 4	Year ago
FT-SE 100 SHARE INDEX‡	2360.5	+33.0	2360.5	2324.6	2327.5	2337.5	2340.0	2331.4	2355.5	2256.7

FIXED INTEREST

PRICE INDICES	Wed Jul 11	Day's change %	Tue Jul 10	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	115.49	+0.01	115.48	-	6.53
2 5-15 years	121.06	-0.06	121.13	-	6.91
3 Over 15 years	124.28	-0.08	124.38	-	6.15
4 Irredeemables	140.58	-0.14	140.78	-	7.35
5 All stocks	121.26	-0.04	121.30	-	6.79
Index-Linked					
6 Up to 5 years	146.67	....	146.66	-	1.49
7 Over 5 years	136.29	-0.54	137.03	-	2.24
8 All stocks	136.96	-0.49	137.64	-	2.19
9 Debentures & Loans	100.76	+0.04	100.72	-	6.22
10 Preference	74.62	-0.04	74.65	-	3.58

AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 11	Tue Jul 10	Year ago (approx.)
British Government				
1 Low	5 years	10.88	10.87	9.96
2 Coupons	15 years	10.88	10.86	9.31
3	25 years	10.88	10.86	9.16
4 Medium	5 years	12.27	12.25	10.73
5 Coupons	15 years	11.39	11.36	9.76
6	25 years	11.02	11.00	9.34
7 High	5 years	12.35	12.34	10.85
8 Coupons	15 years	11.61	11.60	9.98
9	25 years	11.23	11.22	9.53
10 Irredeemables†		10.94	10.92	9.19
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	5.42	5.41	3.40
12 Inflation rate 5%	Over 5 yrs.	4.31	4.27	3.62
13 Inflation rate 10%	Up to 5 yrs.	4.37	4.36	2.66
14 Inflation rate 10%	Over 5 yrs.	4.14	4.10	3.46
15 Debs &	5 years	13.64	13.63	12.05
16 Loans	15 years	12.83	12.82	11.71
17	25 years	12.54	12.54	11.36
18 Preference†		12.69	12.68	10.27

‡Opening index 2324.6; 9 am 2328.1; 10 am 2344.4; 11 am 2346.3; Noon 2349.0; 1 pm 2351.9; 2 pm 2352.7; 3 pm 2353.2; 4 pm 2355.1; 4.10 pm 2358.2; (a) 4.30pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	56	33
Corporations, Dominion and Foreign Bonds	0	6	17
Industrials	375	262	939
Financial and Properties	163	81	494
Oils	21	21	46
Plantations	2	2	6
Mines	48	26	91
Others	45	57	139
Totals	664	511	1,765

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	110	ABI Leisure 10p	131		R4.7	3.3	4.8	8.6
-	F.P.	-	46	28	First Philippine Inv. Tst.	31	+1	-	-	-	-
-	F.P.	-	22	10	Do. Warrants	11	+1	-	-	-	-
-	F.P.	-	14	6	Fisher (Albert) Wrrts.	8½	-½	-	-	-	-
500	F.P.	-	100	95	French Property Tst	99		-	-	-	-
-	F.P.	-	39	32	Do. Warrants	38		-	-	-	-
†	F.P.	-	75	66	Golden Vale Ir1p	68	-2	u0158%	5.1	2.2	12.4
§81	F.P.	-	88	83	Intrum Justitia 10p	84		u1.75	2.5	2.8	13.9
100	F.P.	-	98	95	Jupiter Euro Inv. Tst	98		-	-	-	-
-	F.P.	-	38	35	Do. Warrants	38		-	-	-	-
§108	F.P.	-	116	114	‡Levercrest 5p	114	-1	R4.05	2.4	4.7	9.2
-	F.P.	-	44	35	Lucas Inds. Warrnts	37		-	-	-	-
§77	F.P.	-	85	77	M & W 10p	83		R2.2	2.9	3.5	9.3
-	F.P.	-	7	4	‡Oliver Res warrants	5	-1	-	-	-	-
-	F.P.	-	31	21	Paribas French B Wrnts	26		-	-	-	-
130	F.P.	-	130	100	Pittencrieff 10p	120		L2.3	1.8	2.6	15.4
§100	F.P.	-	102	95	Siam Select. Growth Tst.	102		-	-	-	-
-	F.P.	-	38	30	Do. Warrants	38		-	-	-	-
-	F.P.	-	43	35	Southend Prop Wrnts	40		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
101.73	F.P.	-	102¼	100	Anglian Water 5½pc Index-lnk Ln 2008	102	-¼
100p	Nil	-	2ppm	¼ppm	BICC Cap Fin 10.75pc Cv Cap Bds 2020	¼ppm	
100	F.P.	-	101	90	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	92	-3
‡	F.P.	-	87p	81p	European Leisure 8.75p (Net) Cv Rd Pf	83p	+2
100p	F.P.	-	115p	96p	Hepworth Cap Fin. 11¼pc Cv. Bds 2005	113p	
100p	25p	-	46½p	26p	Reckitt & Colman 9.5pc Cv Bds 2005	45½p	+2½
242p	Nil	-	43p	25p	Tomkins Units Non Int Ln 6p	27p	
100p	F.P.	-	105p	95p	Wyndham Group 9.375pc Cm.Pf	96p	
-	F.P.	-	55p	35p	York Trust 8.5p (Net) Rd.Cv.Pf 20p	46p	-2

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
390	Nil	17/8	130pm	113pm	Attwoods	129pm	-1
10	Nil	11/7	¾pm	¾pm	*Caldwell Invs. 10p	¾pm	
17	Nil	-	1½pm	1½pm	Conrad Contl. 10p	1½pm	
70	Nil	20/8	¼pm	¼pm	Electron House 10p	¼pm	
50	Nil	14/8	5pm	3pm	‡Expedier Leisure	3pm	
£50	Nil	-	300pm	100pm	Expl. Co of Louisiana	175pm	
150	Nil	6/9	23pm	20pm	Hogg Group	20pm	-1
37	Nil	14/8	4pm	¼pm	‡Northumbrian Fine Foods	1pm	
220	Nil	23/7	31pm	6pm	Ratners	10pm	+1
250	Nil	-	32pm	29pm	Weir Group	30pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings July 2
- Last Dealings July 13
- Last Declarations Oct. 4
- For settlement Oct. 15

For rate indications see end of

Calls: Aviva, BICC, Burton, Tarmac, Trafalgar House. Puts: Trencherwood.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*492)	460	33	55	69	1	8	15
	500	5	31	45	13	23	30
	550	1	11	23	62	63	65
ASDA (*118)	110	9	14	18	1½	6	8
	120	3	8	14	6	11	14
	130	1½	-	-	14	-	-
Brit. Airways (*218)	180	39	45	50	1	1½	3
	200	19	28	34	1	4	7
	220	3	14	22	5	10	14
SmKl Beecham A (*544)	500	45	62	79	1½	10	15
	550	6	29	47	15	28	32
	600	2	11	25	60	65	67
Boots (*282)	260	23	35	40	1	4	6½
	280	6	20	30	4	10	13
	300	1½	12	20	19	21	24
B.P. (*321)	300	22	32	40	1	5	8
	330	1½	13½	22	11	17	19
	360	½	5½	-	40	40	-
British Steel (*138)	120	19	23	-	½	1	-
	130	9	14½	18	½	2	4
	140	2	8	11	4	6	8
Bass (*1103)	1000	105	145	164	1	7	17
	1050	55	105	124	2	17	30
	1100	18	70	92	13	30	45
C & Wire (*535)	500	38	63	83	2	10	15
	550	3½	30	50	20	29	34
	600	1	13	29	68	70	72
Courtaulds (*365)	357	11	-	-	3	-	-
	360	-	30	42	-	12	17
	390	1	13	27	27	30	32
Com. Union (*510)	460	52	62	78	1½	8	13
	500	15	32	54	5	22	26
	550	2	14	29	42	51	51
GKN (*400)	360	42	48	62	1	5	9
	390	12	30	44	2	15	18
	420	2½	13	29	23	33	34
Grand Met. (*649)	600	53	69	97	1¼	10	15
	650	10	39	64	9	29	33
	700	1½	17	38	53	61	64
I.C.I. (*1152)	1100	53	82	128	2½	27	35
	1150	16	55	97	16	50	57
	1200	2	32	70	50	82	85
Kingfisher (*353)	300	54	64	73	1	4½	7
	330	24	37	48	2½	8	12
	360	4	19	32	10	21	25
Ladbroke (*321)	300	23	37	47	1¼	7	11
	330	3½	17	28	13	18	22
	360	1	8	14	41	42	43
Land Secur (*520)	460	62	78	92	1	4	6
	500	22	46	62	2	11	14
	550	1½	19	33	33	37	38
M & S (*232)	200	32	42	47	1	2½	4
	220	12	25	32	1½	5½	7
	240	2	12	18	10	13	16
STC (*261)	240	24	35	47	1	9½	12½
	260	7	23	35	6	18	22
	280	2	14	26	22	31	32
Sainsbury (*285)	260	26	37	44	1½	4½	6
	280	8	22	32	3	10	13
	300	1½	12	20	18	20	23
Shell Trans. (*454)	420	35	48	65	2	8	9
	460	4	22	38	9	23	25
	500	1	8	21	47	50	52
Storehouse (*126)	110	17	21	26	1	2½	5
	120	6½	15	17	2	6	7½
	130	3	9½	13	8	11	12
Trafalgar (*290)	280	15	30	37	2½	9	15
	300	4	20	27	14	20	32
	330	1½	9	15	43	43	47
Utd. Biscuits (*354)	330	25	38	48	2	8	11
	360	4	18	28	9	19	22
	390	1½	8	17	38	39	42
Unilever (*684)	650	36	63	85½	2	10¼	15¼
	700	2½	28¾	53½	20¼	28½	35¼
	750	2	10¼	31¼	69	68¾	69¼
Ultramar (*336)	300	39	50	62	1½	5	7
	330	11	28	42	4	15	19
	360	2	13	27	27	30	33

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Brit Aero (*540)	500	52	69	88	5	14	18
	550	18	37	57	24	35	40
	600	4	17	35	63	69	70
BAA (*444)	390	60	77	85	1	5½	9
	420	34	53	64	5	9½	15
	460	10	28	42	22	27	33
BAT Inds (*637)	600	-	-	90	-	-	16
	637	23	42	-	15	23	-
	650	-	-	60	-	-	35
BTR (*426)	420	21	31	46	10	17	23
	460	3	14	26	37	44	47
	500	1	-	-	77	-	-
Brit. Telecom (*310)	280	31	37	44	2	4½	7½
	300	12	23	31	7	10½	13½
	330	2	8½	16	29	31	31
Cadbury Sch (*353)	300	58	65	78	1	3½	5
	330	31	42	56	3½	9	12
	360	10	24	38	14	22	24
Guinness (*790)	750	54	81	108	6	16	20
	800	24	51	77	23	34	39
GEC (*197)	180	19	28	33	1½	4	6
	200	6	13½	20	7½	11	13
	220	1½	6	11	25	26	27
Hanson (*228)	220	13	23	27	3	5	10
	240	3½	11	14½	14½	15½	20
LASMO (*394)	390	-	-	53	-	-	22
	400	14	30	-	16	23	-
P. & O. (*630)	600	42	56¼	78½	5¼	16¼	20¼
	650	11	26¼	48½	26¼	41	43¼
Pilkington (*204)	200	12	22	28	6½	9	12
	220	3	12	18	19	22	24
Polly Peck (*438)	420	-	-	66¼	-	-	22
	460	7	30¼	45	28¼	35¼	41½
Prudential (*230)	220	16	22	30	3½	8	10
	240	6	12	19	14	17	19
Racal (*202)	200	11	21	28	7	12	13
	220	3	12	19	21	23	24
R.T.Z. (*547)	500	54	72	92	2½	8	12
	550	15	42	59	16	22	32
Scot. & New (*346)	330	19	33	43	9	15	19
	360	4½	19	28	27	31	34
Tesco (*226)	220	12½	19¼	27¼	3½	6½	8½
	240	2½	8¾	16½	15½	17¼	18¾
Thames Water (*152)	140	13	14	17	6	8	12
	160	2½	7	11	22	23	25
Water Hldg Pkg (*£1593)	1550	50	95	180	120	120	160
	1600	35	80	130	170	170	200

Option		Calls July	Calls Sep.	Calls Nov.	Puts July	Puts Sep.	Puts Nov.
Ferranti (*34)	30	5	7	9	1	1¼	2¼
	35	1½	4	5½	2½	4½	5½
Lucas Inds (*162)	160	4½	13	17	3	7	10
	180	½	3½	6	20	22	24

Option		Calls Aug	Calls Oct	Calls Dec	Puts Aug	Puts Oct	Puts Dec
Reuters (*1281)	1250	63	104	145	22	40¼	53½
	1300	36½	77	117	46½	64¼	76¼

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Abbey Nat. (*214)	200	22	27	32	4	7	10
	220	9	15	18	13	15	19
Amstrad (*66)	60	10½	13	16	2½	4½	5½
	70	4½	7½	10½	7½	9½	11
Barclays (*405)	393	24	38	-	17	18	-
	420	-	-	33	-	-	41
Blue Circle (*239)	220	27	33	42	4½	7	10
	240	12	19	29	11	16	18
British Gas (*226)	220	8½	17	21	8	10	11
	240	3	8	12	25	25	26
Dixons (*143)	140	12	17	21	9	11	13
	160	3	8	13	23	23	25
Glaxo (*852)	800	79	95	127	12	23	27
	850	44	64	97	29	45	49
Hawker Sidd. (*610)	600	40	52	70	18	25	29
	650	15	28	44	46	48	50
Hillsdown (*275)	260	26	36	45	5½	9	10
	280	15	24	33	13	17	18
Lonrho (*262)	260	-	-	32	-	-	18
	273	10	20	-	19	21	-
Midland Bk (*313)	300	24	36	43	16	18	22
	330	10	23	27	30	32	38
R. Royce (*229)	220	19	26½	34	4½	8	10½
	240	8	14½	22	14½	17½	20
Sears (*99)	90	14	17	22	2½	4	5
	100	7	11	14	6	8	9
THF (*294)	280	27	34	45	5½	10½	13
	300	14	21	34	14	21	23
Thorn EMI (*747)	700	70	92	-	11	16	-
	750	35	58	78	25	32	41
TSB (*140)	130	12	18	19	3½	6	7
	140	6	11	14	9	10	12
Vaal Reefs (*$73)	70	9	11	13	7	9	12
	80	3	8	10	12	16	18
Wellcome (*599)	550	70	89	109	11	18	25
	600	44	59	80	32	37	45

EURO FT-SE INDEX (*2358)

	2225	2275	2325	2375	2425	2475	2525	2625
CALLS								
Jul	163	118	77	43	22	9	4	-
Aug	195	154	114	81	55	36	21	-
Sep	216	-	140	-	80	-	40	20
Dec	278	-	207	-	144	-	98	65
Mar	325	-	248	-	192	-	142	100
Jun	358	-	290	-	230	-	179	136
PUTS								
Jul	7	11	19	37	67	104	150	-
Aug	17	25	39	53	76	106	142	-
Sep	21	-	43	-	80	-	140	215
Dec	32	-	57	-	92	-	137	195
Mar	54	-	80	-	103	-	140	190
Jun	56	-	74	-	103	-	139	185

FT-SE INDEX (*2360)

	2200	2250	2300	2350	2400	2450	2500	2550
CALLS								
Jul	190	142	97	58	29	13	4½	1½
Aug	214	170	128	93	65	43	26	14
Sep	236	192	153	119	90	67	45	31
Oct	265	223	183	148	118	90	70	45
Jun †	367	-	302	-	240	-	185	-
Dec †	290	-	217	-	152	-	101	-
PUTS								
Jul	4	6	11	25	52	93	143	193
Aug	1	17	26	42	65	98	143	193
Sep	17	25	36	52	74	105	143	193
Oct	24	34	42	63	85	113	153	198
Jun †	57	-	83	-	118	-	173	-
Dec †	31	-	52½	-	88	-	150	-

July 11 Total Contracts 27,008
Calls 20,950 Puts 6,058
FT-SE Index Calls 2,495 Puts 800
Euro FT-SE Calls 1,851 Puts 68
*Underlying security price. † Long dated expiry months.

Current year is important in deciding future of US operations

Dixons beats defence forecast with £80m

By Maggie Urry

DIXONS, which claims to be the largest electrical retailer in the world, yesterday beat by £10m the profit forecast made in January in defence to the £568m bid from Kingfisher.

The bid was later blocked by the Monopolies and Mergers Commission.

Pre-tax profits for the year to April 28 were £80.1m, compared to a forecast £70m, and £78.4m in the previous year. The shares gained 4p to 143p.

Mr Stanley Kalms, chairman, said the main reason for beating the forecast was a better-than-expected result from the UK chains, Dixons and Currys. This had been buoyed by significant gross margin gains achieved through greater efficiency, less wastage, shrinkage and similar measures.

"These results emphasise the resilience of the group in difficult retail markets, and its potential to produce excellent returns for shareholders when more favourable trading conditions," he said. Current trading in the UK was slightly below budget, but was up in the US.

A £9.8m extraordinary debit related to the costs of defending the bid. Mr Kalms said that cost, which contained an element of success fees, seemed a waste of money in hindsight and that the bid was water under the bridge now.

Looking ahead he said the group was discussing possible common ground with other European retailers, to see if they could form a group to counter the growing power of the manufacturers which supply them.

Group sales rose by 0.9 per cent to £1.8bn. Profits benefited from a pension fund holiday, worth £3.3m; a profit of £3.1m from a discontinued business; and a £10m write-back from the surplus on the extended warranty business.

In the UK retail division, sales were down 8.6 per cent to £1.1bn, with like-for-like sales down 6 per cent. Mr Kalms said the group had not lost market share. He said the market for brown goods was up by 4 per cent while that for white goods was down 6 per cent. UK retail profits were £48.9m (£43.6m), including profits from the financial services side – taking in sales of extended warranties – of £37.8m (13.5m).

Excluding that UK retail profits were £11.1m, down from £30.1m, but well above the £3m included in the defence forecast. The profit was helped by the completion in the second half of the integration of Dixons and Currys operations, although there was a £2m non-recurring cost relating to that.

In the US, where Dixons operates the Silo chain, sales were 14 per cent higher at £555.6m but pre-tax profits were 26 per cent lower at £10.6m (£14.4m) though this was slightly better than the £10m forecast in the defence.

However, Mr Kalms said the US business had not yet made the "breakthrough" he had hoped for. While the business on the west coast, where the group has mature stores, was good, the mid-west market was poor and the east only fair. Where the chain had opened in a new area it was taking up to five years for the stores to reach maturity. He said the current year would be an important one, and if the US chain still failed to reach an adequate level of profitability the group may consider reducing the chain, perhaps by a quarter.

The property division increased profits to £20.6m (£20.4m) with two thirds of profits coming from the UK. The current year would see a switch to the bulk of profits made overseas, with 85 per cent of the current developments in Europe, where markets were stronger than in the UK. Mr Kalms said the group had no exposure to the depressed London City or Docklands markets.

Stanley Kalms: pointed out contribution from Currys and Dixons

The group's balance sheet was 16 per cent geared at the year end. "We are not short of money," said Mr Kalms.

Earnings per share were 12.6p, a rise of 8.6 per cent, and well ahead of the 11p forecast in January. A final dividend of 4p is proposed, to give a total for the year of 5.6p as forecast.

See Lex

Control Securities up 17% to £23.7m

by Venessa Houlder

CONTROL SECURITIES, the property and leisure group, yesterday announced a 17 per cent increase, from £20.3m to £23.7m, in pre-tax profits for the year to March 31. Turnover increased from £108.82m to £115.81m.

Mr Nazmu Virani, chairman, said that in spite of the more difficult conditions in the property market, a promising start had been made to the current year with profitable property sales of £45m. The group would continue to prosper with a planned further increase in the contribution from leisure activities and further upward rent reviews, he said.

Profits in the property division rose from £22.05m to £29.91m, of which about £9m was due to property trading. In the leisure division, profits increased by 50 per cent to £7.12m. Mr Virani said he hoped to increase the contribution of leisure to half the total in three years' time.

The group has about 100 properties spread throughout the country, 7 per cent of which are based in the City of London. In the leisure division, it owns the Belhaven Brewery, 770 pubs and 23 hotels in the UK and Spain.

Interest payable increased from £7.09m to £13.58m. Interest cover was 2.7 times and the year-end gearing was 66 per cent.

Net assets per share increased by 10 per cent to 90.6p. Earnings per share increased from 5.5p to 5.7p. A final dividend of 0.75p is proposed, making a total of 1.25p for the year.

● COMMENT

Neither property nor leisure have been the flavour of the year, so it is perhaps hardly surprising that Control's shares have taken a battering. But the company – which often falls between two sets of analysts – gets relatively little attention from the City, which may mean that the fall has been overdone. On the property side, the company has shifted its focus away from trading; and moreover it reckons that there has been no decline in the value of its portfolio as higher yields have been offset by rental growth. Meanwhile the leisure side should benefit from a full year's contribution from the many pubs and hotels that were bought in the last financial year. Assuming the company makes pre-tax profits of £26.5m this year, the shares, down 2½p to 38p, are on a prospective p/e of less than 7 and a discount to estimated net asset value of 57 per cent.

Epicure backs £27m Swedish cash bid

By Andrew Hill

EPICURE Industries, which last year won a hostile bid for Habit Precision Engineering, has become the latest UK company to accept an offer from a Swedish group.

Heron, a private Swedish engineering company, yesterday launched a £27.4m recommended cash bid for Epicure, an engineering and construction group which already has strong links with Sweden.

Five years ago, Epicure, which is based in the UK and in Sweden, bought Kurdia, a Swedish steel finisher. Mr Håkan Hammarqvist, Kurdia's chairman, became chairman and chief executive of the British company and will now join the Heron board as an executive director.

The bid is worth 34p per share, compared with yesterday's closing price of 32¼p, up 4½p, with a loan note alternative. Heron has already received irrevocable acceptances representing 30.7 per cent of Epicure's equity.

Epicure, which makes and sells piston rings, woodworking and diamond tools, said yesterday that high interest rates and sluggish industrial activity had affected trading. However, the company stressed that it had not accepted the Heron bid because it was struggling in the difficult economic climate.

Heron is following in the footsteps of a number of its compatriots which have mounted bids in the UK this year. In April, SPP, Scandinavia's largest insurance company, made an agreed bid for London & Edinburgh Trust, the property company, and last month Svenska Cellulosa, the Swedish pulp, paper and packaging company, launched a recommended offer for Reedpack, the British paper and packaging group.

Other Swedish companies have been circling British quoted groups. Mercurius Gruppen, an oil company, has built up stakes in the UK – including holdings in Phoenix Timber Group and Chloride Group – while Nordstjernan, a property and construction company, is holding preliminary bid talks with Speyhawk, the UK property developer.

Heron, which has two subsidiaries making heavy and light engineering products, hopes to use the acquisition as a springboard to expand further in Europe. The Swedish group already owns 2.3 per cent of Epicure.

In 1989, Epicure made £4.1m before tax on turnover of £49.4m, of which some 17 per cent was in Sweden and 43 per cent in the UK. It had net assets at the end of the year worth £15.5m.

Northern roots support 32% rise to £13.6m at Birse

By Vanessa Houlder

BIRSE GROUP, construction and civil engineering group, yesterday announced a 32 per cent increase in pre-tax profits from £10.36m to £13.63m for the year to April 30 – its first as a quoted company.

Birse Construction, the construction business, performed strongly last year and was on course for a substantial increase in turnover this year, the company said. It had a firm order book of £245m at June 30, compared with £150m the previous year.

The company said it had experienced a market slowdown in southern England, but expected the continued buoyancy in the Midlands and the North to compensate for any shortfall.

The plant hire activities reported increased profits, in spite of the effects of high interest rates and reduced demand for heavy plant in the third quarter.

Birse Homes, the residential property company, incurred losses during the year. Birse Properties, the property development company, reported a small loss after making no sales during the year.

Mr Peter Birse, chairman, said he was satisfied that all its commercial property developments would be profitable, even in current market conditions.

Birse Communications, the telecommunications contracting subsidiary had a small loss, but is expected to recover this year.

The group's cash balance on April 30 was £35m. Earnings per share increased by 15 per cent to 15.3p (13.3p). A final dividend of 3.5p was declared, making an adjusted total of 5p.

● COMMENT

Sparkling figures and the prospect of another solid result this year are unusual events in the beleaguered contracting sector and so Birse's results provided its small band of City followers with a rare opportunity for some enthusiasm. Birse's advantage lies in its northern bias together with its concentration on infrastructure projects and relatively robust customers such as food retailers. And although its development interests may be a drain on resources, shareholders can take confidence from its strong cash flow and large cash balance. This year the company will have the benefit of a full 12 months of its flotation proceeds, so profits could rise as high as £20.5m, on one analyst's reckoning. If so, the shares up 6p to 157p, are on an undemanding multiple of 7.5.

Atkins adjourns AGM over share purchases

By Nikki Tait

ATKINS Brothers (Hosiery), the textile group, yesterday adjourned its annual meeting after discovering that it breached the Companies Act when it bought in some of its own shares last February and March.

A statement from Atkins said only that the group had received legal advice concerning these purchases, which indicated that the company "had not in all respects complied with the requirement of the Companies Act 1985 in relation to those purchases".

Yesterday, the Atkins board was holding meetings, while its advisers declined to elaborate on the nature of the breach. They would say only that it was "of a technical nature."

The company, however, added that it had been advised it would be inappropriate to put the 1990 report and accounts to the AGM, and accordingly the meeting was adjourned.

The shares bought in included the 9 per cent stake in Atkins which belonged to Charterhall, a quoted UK group run by Mr Russell Goward.

The news comes just 24 hours after Atkins announced that it had received a potential bid approach. The company stressed that discussions on this score were continuing.

Miller rises to £21m

By James Buxton, Scottish Correspondent

MILLER GROUP, which claims to be the largest privately-owned construction company in the UK, increased pre-tax profits in 1989 by 20 per cent from £18.02m to £21.54m.

The Edinburgh-based company saw a 9 per cent increase in turnover from £234m to £256m after a 23 per cent jump in 1988. But Mr James Miller, chairman and managing director, warned that 1990 and 1991 would not be easy years because of the downturn in the economy caused by high interest rates.

Strong growth was reported in building and civil engineering activities – which make up 60 per cent of turnover – in 1989. Although high interest rates gradually affected the levels of commercial enquiries, this was offset largely by more activity in the public and utilities sector.

Miller Developments, the property development arm, benefited from strong rental growth in all sectors, coupled with well-timed sales and acquisitions.

Miller Homes, the house building subsidiary, had a good year in Scotland, and anticipated unfavourable conditions south of the border, postponing land purchases and expansion in the Midlands.

Miller Mining, which operates in the open-cast coal mining sector, achieved full production at two new sites in the West Midlands and produced more than 1m tonnes of coal.

Mr Miller said that while the housing and commercial markets in southern Britain slowed down last year, the north and Scotland continued to provide a sound market. The group was well placed to exploit any opportunities which arose.

The group's shares are held largely by members of the family. Mr Miller said yesterday that the company would remain private. "We are happy the way we are for the moment," he said.

Unit trust plan for Globe holders

By Nikki Tait

A third unit trust group has unveiled plans to woo shareholders in Globe, the investment trust now controlled by the British Coal pension funds following a £1.11bn bid battle.

Schroder Unit Trusts said that it would waive the initial charge of 5 per cent on a new "global equity fund" if Globe shareholders reinvested their money in the unit trust. The fund is being launched in mid-August.

Globe, meanwhile, is today expected to deliver its formal advice to shareholders in the wake of the BCPF's victory.

Barbour Index ahead to £3.4m

By Graham Deller

BARBOUR INDEX, which supplies specialist information services to the construction and health and safety industries, yesterday unveiled a 24 per cent expansion in taxable profits for the year to April 30.

The advance – from £2.72m to £3.37m – came on turnover ahead to £9.68m (£7.85m). Commenting on the well-documented decline in UK construction activity, Mr Patrick Barbour, chairman, said: "To some extent this must affect our business though our results to date are not depressed by the present conditions."

Services to other areas, such as fire and safety and environmental health were growing strongly, he stated.

Barbour still benefited from buoyant renewal rates for subscriptions which give the business "stability in good and bad economic conditions and a firm platform for future development".

The business remains weighted towards the first half – pre-tax profits at the interim stage amounted to £2.73m on sales of £6.27m – but Mr Barbour said the pattern was gradually changing.

Barbour's move into new technology, however, proved a disappointment. The Manufacturing Microfile operation was withdrawn during the year as customers found its scope to be too general for their requirements.

A new, more specialised format is currently under development.

The Computerscan service has been closed and a further provision of £241,000 taken below the line. "If you set out to discover a new country then you get lost sometimes," Mr Barbour said.

Earnings emerged at 13.3p (10.8p) per share, and a proposed final dividend of 4p brings the total to 6p (4.75p adjusted).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Barbour Index ....fin	4	Oct 5	3.5*	6	4.75*
Birse ....fin	3.5	Oct 5	-	5	-
Cardiff Property........int	0.85	-	0.75	-	2.25
Control Secs ....fin	0.75	-	0.45	1.25	1.2
Dixons ....fin	4	Oct 1	3.3	5.6	4.73
Granada ....int	4.4	Oct 1	4.4	-	12.3
Morris Ashby § ....fin	2.4	Oct 1	2.4	4.1	4.1
Scantronic ....fin	2.185	Aug 31	1.6	2.9	2.15
Thorpac § ....fin	1.2	Aug 17	0.833	1.8	1.17
Union Discount ....int	11.5	Sept 3	11.5	-	33
Wyko § ....fin	2.35	Oct 1	2	3.75	3.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

St Ives acquires Talbot Publishing

St Ives, the printing and packaging company, is moving into electronic publishing technology with the acquisition of Talbot Publishing Systems.

The consideration is performance related and over five years could be anything between £1.2m and £3m. Founded in 1983 Talbot's main product is an Apple Macintosh system designed for newspapers.

J Williams sells foundry

By Charles Leadbeater, Industrial Editor

JOHN WILLIAMS Industries, the Cardiff-based engineering and vehicle retailing group, is selling the loss-making foundry business which helped increase group pre-tax losses from £176,955 to £195,670 in the six months to end-March.

The foundry, which accounts for about 40 per cent of group turnover of £10.4m (£5.15m), is to be sold to its management

Losses at the foundry, which mainly makes automotive components, have deepened with the downturn in the car industry.

The management buy out at the foundry, combined with the sale of three of the group's property interests, will leave it focused on vehicle retailing, through its Toyota franchises, engineering and drum making.

The company said plans to rebuild and re-equip its drum and packaging factory to cope with expected increases in demand were proceeding as "there is no evident sign of a downturn in this business."

NEWS DIGEST

Restructure forced on Thorn EMI

THORN EMI, the music, rental and technology group, is to merge its eight electronics divisions into three groupings, close one manufacturing site and make an unspecified number of employees redundant.

The restructuring follows the group's failure to find a buyer for its UK defence activities. It said that the change would enable it to lower overheads and rationalise the use of operating sites.

The three new divisions will be a defence division, which will concentrate on advanced weapon sub-systems, infra-red systems, underwater acoustics and sonar; a sensors division, incorporating radar, computer and naval systems; and a tubes group which will concentrate on microwave devices and electron tubes.

A defence equipment manufacturing site at Woking is to be closed.

All-round growth lifts Wyko to £3.6m

Strong progress in all divisions enabled Wyko Group, the USM-quoted maker and distributor of moving parts for industrial machinery, to raise annual pre-tax profits by 38 per cent from £2.63m to £3.64m.

Sales for the year to April 30 were up 24 per cent at £48.49m (£39.11m) and earnings per share rose 15 per cent to 10.41p (9.02p). A recommended final dividend of 2.35p makes a total of 3.75p (3.25p).

Increasing market penetration was being made in Europe and the continuing expansion of the US facilities was expected to generate more business during the year.

Cardiff Property advances 15%

Cardiff Property, the property investment and development company, lifted pre-tax profits by 15 per cent to £55,965 in the half year ended March 31. The previous figure was £48,638.

The interim dividend is increased to 0.85p (0.75p), payable from earnings per 20p share of 2.25p (1.35p).

Gross rental income improved from £161,674 to £248,022. There was no tax this time (£17,023) and an extraordinary profit of £47,158 (£218,500).

Sales slowdown hits Morris Ashby

The failure of expected sales to materialise coupled with continued high capital expenditure left taxable profits of Morris Ashby 15 per cent lower at £1.15m in the year to end-March.

Sales at the specialist non-ferrous diecasting and machining group were little changed at £11.07m (£11.05m). Mr Norman Gardner, chairman of the USM-quoted company, said die sales were down by £500,000 due to the previous year's downturn in die sales. However, this year's die orders were a record.

The final dividend is maintained at 2.4p for a same-again total of 4.1p on reduced earnings of 9.2p (11.08p) per 10p share.

UK COMPANY NEWS

Flying in the face of peace on a wing and a prayer

Paul Betts on problems facing the aero-engine industry, especially Rolls-Royce, the smallest big player

THE "peace dividend" of détente is turning into a "peace debit" for the world's three principal aero-engine manufacturers: Rolls-Royce, General Electric and Pratt & Whitney of the US.

Rolls-Royce, the smallest of the big three aircraft engine makers, has already warned of possible restructuring at its military engine facility at Bristol, which employs about 8,000 people, and is placing increasing emphasis on its civil engine business based in Derby where there is a workforce of 13,500.

Lord Tombs, chairman of Rolls-Royce, confirmed that there would be a "pinchback" at the company's military engine operations at Bristol which would, however, be offset by the growth of civil engines.

In the latest issue of the company's internal newspaper, Mr Colin Green, director of the group's military engines division, puts the issue even more bluntly.

The Government's decision to cancel 33 Tornado aircraft is "a heavy blow to the military engine group and the Bristol facility", he says. As a result, cutbacks in RB199 engine production is taking effect immediately.

Military engine sales accounted for about 25 per cent of Rolls-Royce's total turnover of £2.96bn last year. The Tornado programme accounted for about 35 per cent of Rolls-Royce's military sales and about 20 per cent of this involved engines for new Tornado aircraft.

Although Rolls-Royce has a 33 per cent share in the Tornado engine, it has long been one of the most profitable programmes for the UK group. Its earlier-than-anticipated rundown – due not only to the UK cancellation of the 33 combat aircraft but also to the likely cancellation of additional orders from Saudi Arabia – is now expected to lead to a capacity gap between the end of Tornado and RB199 engine deliveries and the eventual production build-up for the European Fighter Aircraft and the EJ200 engine.

In his article to his staff, Mr Green warns that the company cannot say at this stage "what effect the stopping of our largest engine programme will have on our workforce, but reductions cannot be ruled out". He adds that conversion or substitution of production at Bristol is unrealistic. "Our skills and working practices centre on high technology aero-engine manufacture and support, and would not permit profitable participation in widely different markets such as consumer goods."

Lord Tombs believes more

ANALYSIS BY SEGMENT

	Turnover 1989 £m	Turnover 1988 £m	Operating profit 1989 £m	Operating profit 1988 £m
Aero Gas Turbines	2,054	1,682	301	302
Power Engineering	674	250	62	27
General Engineering	234	41	20	4
	2,962	1,973	383	333

emphasis will now be placed on cheaper military aircraft like the Hawk and on helicopters – Rolls-Royce is strongly placed in these markets. To some extent this may help compensate for the rundown in Tornado business. At the same time, the company is inloading additional civil work to Bristol to help offset the decline in military production.

Although Rolls-Royce, like other defence contractors, has been taken by surprise by the speed of détente, the company appears confident it can address the new situation in the aero-engine market. For some time, Lord Tombs explains, Rolls-Royce has sought to broaden its business base both by diversification into new engineering sectors and by enlarging its market and partnerships in the growing civil engine business.

This strategy has involved the acquisition of the NEI engineering group and a drive in the commercial aero-engine market to develop engines for all new wide-bodied twin-engine aircraft, tri-jets and 747 jumbo airliners. At the same time, the commercial engine strategy has also sought to concentrate in developing niche markets like the Fokker 100 regional jetliner.

This commercial engine strategy has helped Rolls-Royce expand its overall market base and the group is now challenging its two larger US rivals for a big slice of the emerging market for large wide-bodied jets. Rolls-Royce believes wide-bodied aircraft will account for about 52 per cent of the £100bn airliner market between now and 2004.

Rolls-Royce's key card in this market is its new Trent engine which is scheduled to run for the first time in August. The Trent is the big thrust derivative of the company's RB211 family. But although Rolls-Royce claims to be ahead of its two US rivals in the big thrust engine market, both GE and Pratt & Whitney are intensifying the competitive pressures in the big engine market which is likely to make life difficult for Rolls-Royce.

Both GE and Pratt & Whitney are, like Rolls-Royce, also expected to put increasing emphasis on commercial engine operations because of the "peace debit" in the military end of the business. Competition is thus assuming new heights of ferocity in the traditionally cut-throat commercial aero-engine market. Moreover, Rolls-Royce can only expand its market base by eating into traditional customers of GE or Pratt & Whitney.

Rolls-Royce and its two other US rivals are now jostling to win engine orders for the McDonnell Douglas MD11 tri-jet and the Airbus A330 wide-bodied twinjet as well as seeking to become the first engine on the new wide-bodied plane Boeing is expected to launch later this year.

At the same time, the three engine makers are continuing to battle to expand or protect their positions on Boeing 747-400 jumbos as well as smaller aircraft orders. Rolls-Royce recently won significant Boeing 747-400 engine orders from British Airways and Air India, but its US competitors have also been clinching big orders of late.

Part of the Rolls-Royce strategy to expand its market base and spread the huge financial risks associated with commercial engine programmes has been to forge new partnerships with risk-sharing associates. Perhaps the most significant has been the UK group's recent joint venture with BMW, the West German car maker keen to re-enter the aero-engine business.

Lord Tombs acknowledges that Rolls-Royce has lacked a strong European base. In contrast GE has had a long-standing and successful relationship with Snecma of France while Pratt & Whitney recently reached a similar agreement with MTU of West Germany. Rolls-Royce has now retorted with its BMW partnership and an increasingly fruitful association in Spain with Industria de Turbopropulsores. Indeed, Rolls-Royce appears poised to win an engine order from Iberia, the Spanish national carrier.

In the longer term, Lord Tombs is also looking east. He says the eastern bloc will offer big opportunities to engine makers. The Soviet Union, for example, is interested in re-engining its older Tupolev aircraft and is also looking for new engines for its modern aircraft to boost their export potential.

But Rolls-Royce is not alone in scouting the Soviet market. Inevitably, in the small but big dollar world of aero-engine makers, GE and Pratt & Whitney are already there.

Lord Tombs: a "pinchback" at the military engine operations would be offset by the growth of civil engines

Difficult trading conditions hit Granada

By Nikki Tait

GRANADA, the TV, leisure and computer services group, yesterday reported a 12 per cent downturn in profits before tax in the six months to April 14. The pre-tax figure of £63.3m compares with the £71.6m scored in the first half of the previous year, in spite of a net £9m pensions benefit.

Mr Alex Bernstein, chairman, said the trading climate was the "most difficult we have seen since the early eighties", and reported problems in all of its four main divisions. These ranged from weak advertising revenues on the TV side to integration difficulties among its more recently-acquired computer maintainance businesses.

However, although the City was prepared for some slippage and the pre-tax figure figure was within the range of analysts' forecasts, the shares still shed 15p to 216p.

The size of the pensions benefit surprised analysts, as did the very cautious tone adopted by directors. Some had also hoped for a small increase in the interim dividend. Granada, however, is holding the payout at 4.4p a share, saying that it would "consider an increase at the time of the full-year figures."

On a divisional basis, only the TV and video rental side saw any operating profits increase – up very modestly from £43.8m to £44.2m, on sales of £269.4m (£286.3m). Even here, however, there was a sharp difference between the UK results, where Granada claims to have gained market share in spite of the depressed market, and the overseas businesses.

The latter made losses of "a few million pounds", in the face of highly competitive markets in both Germany and Canada.

In the TV division, profits were static at £20m (£20.6m) on revenue of £153m, while the leisure businesses made £15.5m (£15.9m). Granada said that the squeeze on consumer spending had affected both bingo, where admissions were down although spend per head rose, and its motorway services operations.

Alex Bernstein: problems in all four main divisions

The sharpest downturn came on computer services at £4.8m (£8.3m), with integration still a problem. Granada now says that it expects the benefits from this to flow through in the next financial year.

Operating profit, therefore, fell from £89.5m to £84.4m, while interest charges rose to £21.1m (£17.9m). Mid-year gearing was not disclosed but Granada said it was 15 percentage points higher than at the same stage last year. At the last year-end it stood at 64 per cent.

The pension benefit, which reflects a "substantial surplus" in the pension scheme, is expected to amount to £11m (£2m) in the full year and to continue for "the foreseeable future".

After a £21.2m (£25.8m) tax charge, earnings per share fell 9 per cent to 11.6p.

In its plans to bring down gearing, Granada is talking of significantly lower capital expenditure levels from 1990/1 – perhaps £200m rather than £300m. It is also changing its depreciation policy.

The balance sheet will carry the £63m cost of Granada's investment in BSB, plus £106m of contingent liabilities and another £17m for potential stand-by facilities.

See Lex

Bid closure date for B&C offshoot postponed

By David Barchard

THE CLOSING date for bids for Hampton & Sons, the 118-branch estate agency chain owned by British & Commonwealth, has been postponed following the appearance of several new contenders.

Mr Stephen Adamson, B&C's administrator, said strong interest in the sale had been expressed by several potential purchasers and the deadline had been overtaken by events.

The sale is likely to be extended by between six and eight weeks.

Hamptons was placed on the market earlier this year well before the collapse of B&C, amid expectations that it might raise up to £30m.

Hampton's main attraction is its branch network concentrated in south-east England and its strong brand name. Like most other agency chains, it incurred a loss last year, thought to have been about £12m.

Its price is believed to have dropped sharply since the original sale announcement, not only because of the collapse of B&C but also because of the continuing decline in the market and the resignation last March of Mr Graham Clark, as managing director, apparently after disagreement within the company. He has since been followed by other senior figures, including some of the original owners.

Leading contenders to buy Hampton include Woolwich, the third largest UK building society, which has set up a chain of 125 agencies over the last two years; and Bristol & West, the number ten society with 72 agencies, as well as Scottish Life, the life assurance group to which Hampton is tied.

Woolwich and Bristol & West yesterday both confirmed that they were considering bidding, but said they had not made a decision.

Another possible bidder is Royal Life, the insurance group which owns the largest UK estate agency chain. Hamptons would also be a good fit for Legal & General, the insurance group which last year purchased Whitegates, the north of England agency chain, from Providential. There have also been reports of a possible a management buy out, but this is generally discounted on the estate agency market.

● Charterhouse Tilney, the stockbroking arm of the Royal Bank of Scotland Group, yesterday announced the purchase of B&C's Scottish stockbrokers, Campbell Neill. Mr Michael Mason, Charterhouse Tilney's chairman, said the combined stockbroking group would have 20 per cent of the Scottish market. The purchase had not involved payment of a significant amount.

Scantronic secures 50% gain to £6.54m

By Andrew Hill

SCANTRONIC HOLDINGS, the manufacturer and distributor of security products, increased profits by nearly 50 per cent from £4.42m to £6.54m before tax in the year to March 31.

Mr Chris Brookes, chief executive, said yesterday that the security sector was resisting the downturn in the rest of the economy. "Crime is not slowing down and insurance companies are getting a lot tighter about the security systems they demand," he said.

Scantronic, about 28 per cent of which is owned by Automated Security (Holdings) (ASH), has been expanding quickly in the US and Europe.

In March the group bought Arrowhead Technologies, a US manufacturer of security systems, for $5.5m (£3.06m), having abandoned the purchase of FBX Corporation, another US manufacturer. The abortive acquisition cost the group £254,000 below the line, after tax relief.

Scantronic has also set up a network of sales and support offices in Europe to draw sales of Scantronic equipment through its continental distribution subsidiary.

Interest charges more than trebled during the year to £1.53m (£505,000) and borrowings stood at 65 per cent of shareholders' funds at the year-end. However, the group said more than half its borrowings were in local currency outside the UK.

Turnover rose from £29.04m to £44.6m. Earnings per share were 11.86p (8.67p) basic and 10.38p (7.76p) fully diluted. The final dividend of 2.185p makes 2.9p (2.15p) for the year.

Mr Brookes said the company would still be happy to fill in gaps in its operations with acquisitions where required, for example in fire security in the UK. The company was still interested in moving into manufacturing in Europe, but said "a lot of the manufacturers in Europe are too small: to buy them would be no problem, but it would be horrendous to have to manage them afterwards."

● COMMENT

Rumour has it that Scantronic has been considering the sale of its European distribution arm to Gardiner Group, the distributor of security products in which it has a 20 per cent stake. That wouldn't be surprising – the two companies share a chairman in ASH's Tom Buffett – but a deal would remove a rather lucrative part of its business. Indeed the UK company's strategy in the fragmented and under-developed European market still looks slightly more logical than its expansion in North America. UK sales accounted for just over half of Scantronic's turnover in 1989-90; sales in continental Europe made up just over 30 per cent and the balance of turnover was in the US. That said, Scantronic seems capable of managing its well-spread businesses, and could make as much as £8m before tax in the current year, which would put the shares, unchanged at 130p yesterday, on a prospective multiple of about 10. Recent developments ought to be enough to convince doubters that this stock should no longer be damned with other small companies, but some may still wish to wait until the interim figures for evidence that Arrowhead is as good a buy as Scantronic says.

Good first half at Union Discount

By David Barchard

Union Discount, the City discount house and financial services group, had a good half year and profits were somewhat higher than in the comparable period of last year, Mr Robin Herbert, chairman, said yesterday.

By tradition Union Discount gives an indication of its trading performance at the half year, but does not publish any figures. The interim dividend, however, is maintained at 11.5p.

In 1989 Union Discount made £10.5m after tax. Mr Herbert said he expected profits for 1990 to be at least as good.

He said that the group's core discount house operations were doing particularly well and that its leasing operations were contributing to profits.

Turnover in the equity market during the first half was described as volatile, but both Winterflood Securities, the group's USM specialist operation, and Aitken Campell were in profit.

Acquisitions help Thorpac rise to £2.6m

Thorpac Group, the USM-quoted containers, plastics and bar and catering supplies business, raised taxable profits by 86 per cent from £1.4m to £2.6m for the year to March 31 1990. Turnover rose by £8.27m to £32.24m.

Figures for 1988-1989 have been restated on a merger accounting basis to reflect the four acquisitions made during the year.

Basic earnings per 2.5p share are up 23 per cent to 4.3p (3.5p), and a final dividend of 1.2p is recommended, making a total for the year of 1.8p (1.17p).

In the last two years Thorpac has changed from a single trading company to operating three divisions and in the past year acquired Avon Tin Printers, JTS Manufacturing, JCB Manufacturing and Pavelodge Packaging.

Following the disposal of the freezer packaging and microwave accessories business and the Thorpac trading name to Spong Holdings for £766,000, shareholders will be asked to approve a name change to Harcourt Group.

UK buyer found for Capital Airlines

By Paul Abrahams

Capital Airlines, the airline division of Brown Group International, the Yorkshire-based construction company which went into receivership last week, is to be sold to an unidentified UK private business.

KPMG Peat Marwick McLintock, the receivers, said yesterday that an offer for the airline had been accepted in principle from a private group without any previous links with the sector. The offer has the full support and backing of Capital Airlines' management, according to KPMG.

The receivers said the contract for the purchase of Capital and Northair Aviation, the engineering and air charter subsidiary, would be formally signed in the next 24 hours. The airline should restart flights shortly afterwards, subject to approval from the Civil Aviation Authority.

The airline is expected to be rationalised and staff levels reduced. KPMG said it did not expect Capital to resume operations with its BAe 146 jets, but would continue to use the Shorts 360 commuter aircraft from Leeds-Bradford Airport.

PUBLIC WORKS LOAN BOARD RATES

Effective August 12

Years	Quota loans repaid by EIP†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			13⅞			14⅝
Over 1 up to 2	13¾	13¾	13¼	14¾	14¾	14
Over 2 up to 3	13⅜	13¼	12⅞	14⅜	14¼	13⅝
Over 3 up to 4	13⅛	13	12⅝	14⅛	14	13⅜
Over 4 up to 5	12⅞	12⅞	12½	13⅞	13¾	13¼
Over 5 up to 6	12¾	12⅝	12⅜	13¼	13⅛	12⅞
Over 6 up to 7	12⅝	12½	12⅜	13⅛	13	12⅞
Over 7 up to 8	12½	12½	12⅜	13	13	12⅞
Over 8 up to 9	12½	12⅜	12⅛	13	12⅞	12¾
Over 9 up to 10	12½	12⅜	12⅛	13	12⅞	12⅝
Over 10 up to 15	12⅜	12¼	11⅝	12⅞	12¾	12⅛
Over 15 up to 25	11⅞	11½	11¼	12⅜	12	11¾
Over 25	11⅝	11¼	11¼	11⅞	11¾	11¾

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Goring Kerr, Jersey Electricity, Kershaw (A), Rank Organisation, TACE, Tonas Hire.

Finals- Arlen, British Building & Engineering Appliances, Electron House, Flextech, Geevor, Graig Shipping, JLI, Jones Stroud, Joseph (Leopold), Logitek, Nobo, Peel, Priest (Benjamin), Ransom (William), Welpac.

FUTURE DATES

Interims-	
Ansbacher (Henry)	July 18
Bullough	July 23
Pacer Systems	Aug. 6
Plateau Mining	July 16
Wace	Aug. 29
Finals-	
ATP Communications	July 27
Triplex Lloyd	July 18
Wood (John D)	July 24

OBITUARY

HAZLEHURST ON JULY 7TH peacefully in hospital, Raymond Earnest aged 65 of Chester, formerly Dept. Chairman of NWS Bank plc. Beloved husband of Wendy. Funeral service at St. Mary's Church Handbridge, Chester on Friday July 13th at 1 p.m. Flowers to, Thornbury, 13 Curzon Park North, Chester CH4 8AP.

COMMODITIES AND AGRICULTURE

Mexican copper mine privatisation fails again

By Richard Johns in Mexico City

THE MEXICAN Government has failed in its third attempt to sell the Cananea copper company, rejecting a bid of $468m made by a group headed by Ingenerios Civiles Asociados, the country's largest construction company, in a politically embarrassing setback to its privatisation programme.

The sum offered by Cuprifera Cananea SA consortium exceeded the minimum of $450m set for the auction of Compania Minera de Cananea, the most politically sensitive of state enterprises put up for sale. Several parties had been interested, but this was the only bid to emerge for the company, which was declared bankrupt last August.

The bid did not fulfil the criteria laid down in terms of the irrevocable letter of credit covering 10 per cent of the price or the schedule of payments required, according to the bankruptcy court judge responsible, Mr Sergio Higuera Mota.

He also cited the opposition of the Mining and Metallurgical Workers of the Mexican Revolution on the grounds that Cuprifera Cananaea SA could not guarantee full payment within 75 days.

Another auction for the company, which possesses estimated reserves of 1.7 bn tonnes of copper in the state of Sonora close to the US border has been set for August 20.

Cananea is an open pit mine with two concentrators with a 95,000 tonnes-a-day capacity and a smelter rated at 45,000 tonnes of blister copper a year.

No immediate comment on the rejection was available from the consortium, which included entrepreneur Mr Bernardo Quintana Jr, whose father founded ICA, Teck Corporation of Canada and Metallgesellschaft of West Germany.

It is understood that its offer included a substantial debt-equity swap element meaning, in effect, that the Government would have received much less than $468m. Another complication could relate to Cananea's short-term debt liabilities amounting to over $650m when the company was declared bankrupt.

In a state where the judiciary is heavily under the influence of the administration the declaration of Cananea's bankruptcy was widely believed to have been motivated by the aim of reducing the labour force and eliminating restrictive practices. Production was resumed in the autumn of last year.

Other leading contenders were Mr Jorge Larrea's Grupo Industrial Minera Mexicana, in association with Anaconda and Citicorp, and Mr Carlos Iglesias Espinosa, who had been in prospective partnership with Metallgesellschaft. Also reported to be interested was Corporacion Industrial San Luis.

In addition, the mine workers's union expressed an interest in purchasing a stake in the mine. In a shrewd move Mr Larrea took it into partnership when his company purchased Mexicana de Cobre, the country's biggest mine and one far more modernised than Cananea, for $1.36bn in 1988.

Before the June 25 auction there was a sudden changing of partners as Mr Iglesias apparently withdrew and Metallgesellschaft switched its allegiance to ICA which had been linked with the Cyprus mining company of the US. Whatever the financial technicalities, it is possible that a better offer was submitted after the auction. Sogem, the subsidiary of Union Miniere of Belgium and a leading customer of Cananea is rumoured to be interested in gaining a stake in the mining property.

Despite left-wing opposition, the minimum price set for Cananea was low. In the spring of 1988 a $910m bid by Grupo Protexa fell through because of financing difficulties and later that year the Government set that figure as the floor when it again failed to privatise the mine.

Brazilian exporters oppose coffee pact

By John Barham in Sao Paulo

BRAZIL'S COFFEE exporters have issued a strongly-worded statement not only rejecting revival of the International Coffee Agreement but also calling for the abolition of the International Coffee Organisation.

An Economy Ministry official said yesterday that a decision on Brazil's support for, or opposition to, the coffee agreement would probably be made known today, following a visit to Brazil by Mr Jorge Cardenas, leader of of Colombia's coffee producers. He is believed to have tried to win Brazil's support for the agreement.

However, the influential Federation of Brazilian Coffee Exporters, which represents the country's coffee traders, stated on Tuesday evening that "the international coffee accord should be abolished. We will ask that the Brazilian Government call for the closure of the ICO itself, an organisation that has been responsible for execution of the agreement since 1962."

The exporters' offensive comes at a critical moment in international coffee negotiations.

Pressure for the agreement's revival is growing among coffee producing countries. A key ICO meeting is scheduled for July 23, at which the Brazilian Government will formally announce its decision on the agreement's future.

The agreement, which set prices artificially high and shared out markets among producing countries, collapsed last July under the weight of opposition from the US and Brazil. The federation says the agreement is incompatible with the new Government's commitment to free markets. It claims that the agreement led to a 48 per cent reduction in the number of Brazil's coffee bushes, while its leading competitors increased production and share of export markets.

Brasilia is conducting a survey of the domestic coffee industry before taking a final decision. Brazil's position is crucial to the agreement's future, since it is the world's largest coffee producer, with about a third of the export market.

However, opinion is sharply divided. Exporters favour a free market, while producers yearn for a return to the accord. Mr Dean Burnquist, head of the federation's markets department, said "Brazil has a problem of low productivity and and dreadful quality. The only thing that will get Brazil out of this mess is the shock of free competition."

Moscow blamed for rhodium surge

Phillip Gawith talks to Rustenburg Platinum, the biggest producer

THE WORLD'S largest platinum producer, Rustenburg Platinum, has denied that problems at its PMR refinery in Bophutatswana have been responsible for the recent steep rise in the world price of rhodium. From $1,280 a troy ounce in November last year the price of the platinum group metal climbed to a record $7,000 an ounce last week before settling back to $5,700.

Last year South Africa supplied 77 per cent of the world's platinum and typically supplies in the region of 70 per cent of its Rhodium.

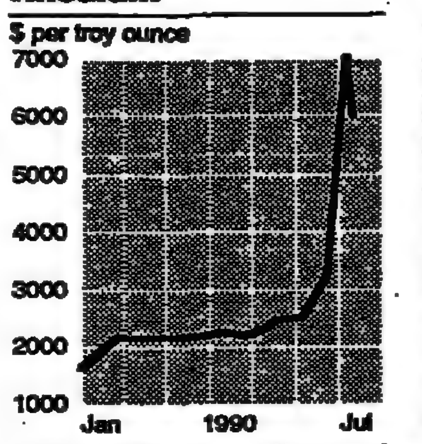
Mr Todd Bruce, marketing director at Rusplats, says that problems experienced when the refinery was first commissioned late last year have been overcome and the plant is now running at its long-term "steady-state design" level. Somewhat fortuitously these earlier difficulties have left Rustenburg with a backlog of metal which it can now exploit. Mr Bruce says marginal inroads are already being made into the backlog and plans are afoot to deal with it more aggressively.

Although Rusplats has not experienced any further problems with the refinery there is no doubt that the existing backlog goes some of the way towards explaining recent price movements.

Mr Bruce believes, however, that a major reason for the recent rise has been an apparent change in Soviet rhodium sales policy. Last year the

Rhodium

$ per troy ounce



Soviet Union sold most of its rhodium in the first three quarters and hence missed out on the price spike in the fourth quarter. This year there is talk it has divided its total quota by the number of trading days in the year so that it will putting a constant supply of rhodium onto the market throughout the year. This would account for rhodium sales having been lower over the first half of 1990 compared with 1989.

The Rustenburg marketing director also mentions the rush into the market on the part of many consumers when they saw that the price was not going to be dropping as expected. He says the evidence is that these buyers have been stockpiling rather than replenishing depleted stocks.

There is also speculation that local producers Barplats and Western Platinum have been forced into the spot-market because they have received less rhodium than anticipated from toll-refining done in Europe. Mr Clive Tasker, Barplat's marketing director, acknowledges that "all metals from the toll-refinery are slightly lower than we'd expected at this time," but says sales contracts are structured in such a way that the company need never, and does not at present, buy in the spot-market.

Mr Terence Wilkinson, Western Platinum's managing director, says his company has made small purchases in the spot market, but this and the toll-refining it does is "very definitely not having an effect on the price. We are bringing rhodium into the market-place in line with our production." Mr Wilkinson cites the recent announcement by the US Government that it will be increasing its rhodium stockpile by about 60,000 ounces and the increase in US autocatalyst specifications as being other factors driving the market.

He also notes that demand in the autocatalyst sector for rhodium is out of line with the amount of rhodium per unit of platinum group metals mined.

Locally there is talk that the inflated rhodium price could offset the $1.1bn loss the country will suffer on account of the gold price dropping by over $60 since the beginning of the year.

Last year South Africa earned $260m from rhodium sales. Assuming an output of 190,000 tonnes for 1990 and an average price of $5,500, sales would be over $1bn.

Whatever comfort this scenario offers for the balance of payments is not shared by the producers, however. Says Mr Bruce: "As a producer we are not at all content with the way the price has behaved. It impacts on consumers and their ultimate use of the metal." Producers and analysts agree that a price of between $2,000 and $3,000 an ounce would be a better reflection of supply and demand fundamentals.

It is also not clear to what extent producers are in a position to capitalise on the current price given that by far the majority of rhodium sales are done long ahead on a contract basis. But Mr Bruce says Rustenburg has a "meaningful portion" of its output priced at free-market rates.

Argentina ending oil monopoly

By Gary Mead in Buenos Aires

ARGENTINA IS privatising 31 secondary oil and natural gas fields, for an expected cash price of $260m, putting an end to 26 years of state monopoly over oil and gas exploration and exploitation.

A total of 107 bids were made for the secondary areas, defined in the case of oil as potentially producing up to 200 cubic metres daily. The Government is due to adjudicate between the offers and make a final decision within the next two weeks. The cash injection from the leasing is to be used to bolster government treasury reserves.

The Menem Government's decision to relinquish control over Argentina's oil and gas reserves is part of an overall privatisation programme, in turn a reflection of the country's bankrupt state.

The areas on offer have until now been under the control of the state-run corporation Yacimientos Petroliferos Fiscales. YPF's record of inefficiency has been under attack for several years; at one stage in the late 1980s it held the dubious distinction of being the only oil company which made an annual loss.

Mr Roberto Dromi, Minister of Public Works with responsibility for the programme, said on Tuesday that of 38 different areas up for lease, offers had been made for 31. Analysts suggest that the seven oil fields without bids are believed to be far below the daily 200 cu m potential. Twenty-five different companies or consortiums chose to bid, including a large number of foreign oil and gas enterprises.

The fields are located in the provinces of Salta, Jujuy, Mendoza, Neuquen and Santa Cruz, with estimated reserves of 16.5bn cu m of crude oil and 19bn cu m of natural gas, and cover an area of 18,700 square kilometres.

The 31 areas to be transferred to private hands, out of a total of 100 so-called secondary fields, represent the most marginally productive portion of the country's reserves, little more than 4 per cent of annual production. However, the Government has made it clear that this transfer of state control is but the first step in a long-term plan to divest itself of responsibility for oil and gas exploration.

The largest single bid for one area came from the Argentine company Cadipsa, in conjunction with British Gas, which offered $50.1m for the Canadon Minerales field in the Patagonian province of Santa Cruz.

THE TEN LEADING BIDDERS

Company	Areas	Total offered ($ million)
Cadipsa/British Gas	3	81.2
Minar,	7	54.98
Cadipsa	2	23.3
Astra Repsol	3	19.1
Pluspetrol	2	18.1
Perez Companc	5	13
Tecpetrol	2	8.5
Comodoro	2	8.06
Astra	2	4.51
Roggio	1	2

'Big Green' threat to Californian growers

By Nancy Dunne in Washington

A HEATED Californian controversy moved appropriately into a sweltering Washington DC this week where the US International Trade Commission began to assess the impact on US agriculture trade of a proposed state ban on carcinogenic pesticides.

The significance of the proposed "Big Green" initiative, to be voted on by Californians next November, goes well beyond the state's exports. Its stringent health safety standards would threaten food imports – much of which come from Mexico and other Latin American nations – and whole industries claim that without the use of certain chemicals for their fruits and vegetables they would be unable to stay in business in California.

The initiative in the state, which alone is the world's eighth largest economy, also runs counter to the US effort in the Uruguay Round of International Trade talks to get international harmonisation of food safety standards.

"Big Green" is a comprehensive proposal dealing with a broad array of California's environmental problems, including protection of the ozone layer and preservation of the coastline. The proposed phase-out of cancer-causing pesticides, those suspected of containing carcinogens, or those causing birth defects is just one part of the massive proposal.

Formally labeled the Environmental Protection Act of 1990, the voter referendum is also known disparagingly as the "Hayden Initiative," because it is sponsored by Assemblyman Tom Hayden, the liberal former husband of super star Jane Fonda. Industry opponents choose to cast the proposal as a radical anti-technology effort which would reduce supplies, raise prices and destroy the state's $16bn agriculture economy.

"It is an ill-conceived masquerade of pseudo-environmentalism, designed to play upon public fear through slogans, sensationalist headlines and manipulated sound bites," Mr Jay Vroom, President of the National Agricultural Chemicals Association, told the Commission.

He likened the initiative to a wood saw, cutting "a neat line around the state," making it "an economic castaway, cut off by bad public policy from commerce with the rest of the United States, from trade with the world."

Environmentalists sponsoring "Big Green" are not sparing in their own charges. The Natural Resources Defence Council issued a statement accused the Bush Administration of a campaign to defeat the proposal with the ITC hearings part of the strategy. Held in Washington and dominated by "paid industry lobbyists, the hearings are setting the stage for an effort in Congress to nullify the initiative," the council said.

According to NRDC, 500m lb of pesticides are used each year in the state – nearly 20 pounds for each Californian. "More than 3,000 water wells have been contaminated with pesticides, and there is increasing evidence that cancer, miscarriages, and birth defects are caused by pesticide exposure."

It is unclear which pesticides would be affected by "Big Green." The US Environmental Protection Agency lists 19 pesticides out of more than 300 now in use in California are known or suspected carcinogens; these would be phased out over a five-year period, with a three year extension allowable to prevent severe economic hardship.

Other pesticides classified by the EPA as possible carcinogens would have to be proven safe within five years, a requirement the industry says is virtually impossible. A five year phase-out period will then follow with a possible extension of up to three years.

Professor Sandra Archibald of the Food Research Institute at California's Stanford University told the Commission that "Big Green" could ban over the next two to eight years up two-thirds of the pesticides currently used in the state.

One fifth of all fresh fruits and vegetables imported to the state revealed positive pesticide residues, she said. Under the stricter standards of Big Greed, many of these would be considered "adulterated" and banned.

On the other side, Dr David Pimentel, a Cornell University agriculture sciences professor, insisted that substitutes are readily available for the 19 carcinogenic pesticides, and these would be available to foreign producers.

He warned that the pesticide industry has always "grossly exaggerated the economic impacts of pesticide cancellations."

In any case, the industry is apparently being heard by California voters. A recent poll by the Los Angeles Times found support of "Big Green" had dropped to 46 per cent.

MARKET REPORT

COPPER prices in both London and New York surged yesterday on brisk physical offtake in Europe and the Far East and a background of steadily falling LME warehouse stocks which appeared to be offsetting the influence of fairly slack demand in the US. Cash metal on the LME closed at £1,587 a tonne, and its premium over three-month metal widened to £73.50 from Tuesday's £61.50. On Comex spot copper was more than 5 cents a lb higher by midsession. Traders said indications that Zambia was having transportation and electrical problems that could hamper production was the latest in a series of bullish stimulants rushing into the copper market. "But from here, it's just feeding on itself," said one trader, adding that prices could be poised for a slide from the peaks if profit taking developed. Nickel prices were again strongly ahead on the LME – short covering and some fresh buying fuelled the trend, which started this week around $8,700 a tonne when Japan, US and European consumer offtake entered the market, traders said. London cocoa prices continued to fall, although closing off 16-week lows registered earlier in the day.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.85-3.90w	+.125
Brent Blend	$16.25-6.35w	+0.20
W.T.I. (1 pm est)	$17.30-7.33w	+0.30
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$232-234	+5
Gas Oil	$150-151	+3
Heavy Fuel Oil	$70-72	+2
Naphtha	$147-149	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$354.25	
Silver (per troy oz)♣	483c	+1
Platinum (per troy oz)	$477.75	-0.75
Palladium (per troy oz)	$116.75	+0.25
Aluminium (free market)	$1545	-5
Copper (US Producer)	124.50c	+0.75
Lead (US Producer)	50½c	+½
Nickel (free market)	416c	+5
Tin (Kuala Lumpur market)	15.93r	+0.23
Tin (New York)	283c	+8
Zinc (US Prime Western)	87.5c	
Cattle (live weight)†	104.92p	-0.73*
Sheep (dead weight)†	157.76p	-5.03*
Pigs (live weight)†	98.49p	+0.54
London daily sugar (raw)	$304.8t	+7.6
London daily sugar (white)	$389.0t	+12.2
Tate and Lyle export price	£279.5	+5.5
Barley (English feed)	£109.5	+0.5
Maize (US No. 3 yellow)	£155.5	-1.25
Wheat (US Dark Northern)	Unq.	
Rubber (Aug)♥	52.00p	
Rubber (Sep)♥	52.50p	
Rubber (KL RSS No 1 Aug)	230.0m	
Coconut oil (Philippines)§	$300t	
Palm Oil (Malaysian)§	$277.5	-2.5
Copra (Philippines)§	$210w	-2.5
Soyabeans (US)	£153t	+1
Cotton "A" index	88.30c	-1.80
Wooltops (64s Super)	477p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	272.00	276.40	276.00 269.40
Oct	269.40	272.40	271.00 268.20
Dec	260.00	270.00	278.00 260.00
Mar	258.00	260.00	259.00 255.40
May	258.00	260.00	259.00 257.00
Aug	258.00	261.00	259.00 256.40
Oct	255.00		257.00 250.00
White	**Close**	**Previous**	**High/Low**
Aug	381.0	388.0	388.0 378.0
Oct	339.0	345.5	345.0 335.5
Dec	333.5	339.5	336.0 329.5
Mar	333.5	337.0	336.0 330.0
May	332.0	335.0	333.0 330.0
Aug	333.5	336.0	334.5 333.0
Oct	323.0		322.5 320.0

Turnover: Raw 4386 (5886)lots of 50 tonnes. White 2230 (2145)
Paris- White (FFr per tonne): Aug 2090, Oct 1870 Dec 1835, Mar 1845, May 1855

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Aug	16.43	16.08	16.44 15.98
Sep	16.92	16.53	16.95 16.49
Oct	17.27	16.94	17.27 16.90
IPE Index	16.07	15.66	

Turnover: 18040 (11001)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Jul	150.75	148.00	151.00 147.75
Aug	150.50	147.50	150.75 147.75
Sep	152.00	149.00	152.00 149.25
Oct	154.75	152.00	154.75 152.25
Nov	155.50	153.25	156.00 154.25
Dec	158.50	155.50	158.50 156.25
Jan	158.50	156.00	158.50 157.50
Feb	155.50		155.50

Turnover 10082 (7585)lots of 100 tonnes

WOOL

DURING the long spell of poor volume trading, some Bradford topmakers have had reason to be thankful for a surprisingly good degree of call-off for tops on contract. But deliveries are now beginning to show the effect of the summer holidays, as well as suffering a number of hold-ups caused by delayed Letters of Credit. Imported wool stocks, seriously devalued following the substantial reduction in Australian floor price, are being forced even lower by sterling strength, which is also making exports more difficult. Bradford prices for tops are 476p/kg for 64s super, 290p for 58s average, and 265p for 50s carded.

WORLD COMMODITIES PRICES

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	722	739	733 710
Sep	739	762	755 729
Dec	769	785	780 759
Mar	801	812	807 789
May	821	832	826 810
Jul	843	852	846 830
Sep	861	872	867 850

Turnover: 8987 (5443) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 10 996.11 (1032.54) 10 day average for Jul 11 1016.72 (1016.11)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jul	557	548	562 554
Sep	580	572	586 577
Nov	599	593	607 597
Jan	618	612	625 616
Mar	635	630	642 635
May	652	649	658 655

Turnover: 3319 (2530) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 10: Comp. daily 68.78 (67.75). 15 day average 68.03 (68.12)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	79.0	186.0	80.0 77.0
Apr	110.0	117.5	118.5 110.0
May	122.0	129.0	124.0 120.0

Turnover 235 (227) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Aug	112.00		112.00
Oct	114.50	114.50	114.50

Turnover 40 (77) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jul	1055	1050	1057 1040
Aug	1060	1045	1050 1040
Oct	1150	1148	1155 1140
Jan	1169	1160	1169 1160
Apr	1160	1155	1167 1160
BFI	1056	1069	

Turnover 282 (140)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Sep	111.90	112.30	111.90
Nov	115.30	115.70	115.35 115.30
Jan	119.15	119.55	119.15
Mar	123.00	123.35	123.00
May	126.15	126.55	126.15
Jun	127.35		127.35
Barley	**Close**	**Previous**	**High/Low**
Sep	109.70	110.15	109.50
Nov	113.75	114.25	113.75 113.60
Jan	116.95	117.45	116.95
Mar	119.85		120.00

Turnover: Wheat 243 (167), Barley 45 (68).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	118.0	117.5	119.0
Oct	119.0	119.5	119.0 118.5

Turnover 118 (88) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 5,886 lots
Cash	1548-50	1560-2		1547-8		
3 months	1575-80	1580-1	1583/1578	1578-9	1579-80	44,312 lots
Copper, Grade A (£ per tonne)						Total daily turnover 28,840 lots
Cash	1586-8	1526-8	1581/1580	1581-2		
3 months	1513-4	1465-6	1513/1470	1496-8	1513-4	80,420 lots
Lead (£ per tonne)						Total daily turnover 1,304 lots
Cash	507-8	502-4	507/504	503.5-4.5		
3 months	509-9.5	504.5-5	512/503	505-5.5	509-10	10,469 lots
Nickel ($ per tonne)						Total daily turnover 1,406 lots
Cash	9080-100	8800-900	8990	8960-90		
3 months	9065-75	8800-10	9100/8875	8965-80	9050-75	8,974 lots
Tin ($ per tonne)						Total daily turnover 846 lots
Cash	6030-80	6010-20	6030/6000	6000-10		
3 months	6190-200	6125-30	6190/6130	6120-30	6185-90	5,062 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,042 lots
Cash	1772-7	1770-5	1775/1770	1767-9		
3 months	1548-50	1680-2	1685/1670	1678-80	1685-70	19,294 lots

LME Closing £/$ rate:
SPOT: 1.8010 3 months: 1.7714 6 months: 1.7444 9 months: 1.7226

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	354-354½	196¾-197¼
Opening	353¼-353¾	194¾-195¼
Morning fix	353.70	195.522
Afternoon fix	354.30	196.833
Day's high	354-354½	
Day's low	353-353½	

Coins	$ price	£ equivalent
Mapleleaf	360-365	200-203
Britannia	360-365	200-203
US Eagle	360-365	200-203
Angel	360-365	200-203
Krugerrand	353-356	196-198
New Sov.	85-87	47-48½
Old Sov.	85-87	47-48½
Noble Plat	483.45-491.15	268.60-272.85

Silver fix	p/fine oz	US cts equiv
Spot	266.40	481.25
3 months	276.45	491.35
6 months	286.20	501.40
12 months	305.65	522.95

TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
550	41	69	12	22
600	16	42	37	45
650	5	25	78	78
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
700	55	99	16	31
750	28	70	39	52
800	13	50	74	82

Brent Crude	Aug	Sep	Aug	Sep
1550	20			13
1600	6	98	4	35
1650		67		60

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	354.1	355.5	0	0
Aug	355.6	357.1	358.7	355.2
Sep	357.5	359.0	0	0
Oct	359.8	361.3	360.8	359.3
Dec	364.2	365.8	365.3	363.9
Feb	368.7	370.4	369.2	369.2
Apr	373.0	374.7	374.0	373.8
Jun	377.5	379.2	0	0
Aug	381.9	383.6	383.0	382.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	473.3	480.9	479.0	472.5
Aug	476.1	483.9	0	0
Oct	481.3	488.9	485.9	481.1
Jan	487.1	494.7	491.5	487.5
Apr	492.8	500.4	497.5	493.0
Jul	498.5	506.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	483.6	481.1	482.5	479.6
Aug	485.8	483.6	0	0
Sep	489.7	487.5	490.0	485.5
Dec	500.8	498.6	501.5	496.5
Jan	503.9	501.7	501.0	499.5
Mar	511.7	509.5	511.0	508.0
May	518.7	516.8	0	0
Jul	526.1	524.2	524.0	523.0
Sep	533.9	531.9	0	0
Dec	545.1	543.1	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 11	Jul 10	mnth ago	yr ago
1839.4	1832.3	1861.5	1929.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 10	Jul 9	mnth ago	yr ago
Spot	132.11	132.35	131.63	129.06
Futures	130.86	131.05	133.06	128.46

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	124.35	118.60	124.60	121.50
Aug	123.35	118.25	123.30	121.00
Sep	122.00	116.75	122.40	119.60
Oct	119.75	114.85	119.75	119.75
Nov	117.30	112.70	117.90	117.90
Dec	114.80	110.65	115.00	112.80
Jan	112.70	108.90	0	0
Mar	108.70	105.60	108.50	108.20
Apr	107.40	104.40	0	0
May	105.70	102.80	105.00	105.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	17.44	16.94	17.48	17.15
Sep	18.16	17.71	18.19	17.86
Oct	18.59	18.23	18.60	18.36
Nov	18.86	18.60	18.90	18.70
Feb	19.42	19.17	19.42	19.28
Apr	19.60	19.32	19.48	19.40

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	5030	4928	5050	4940
Sep	5130	5037	5150	5050
Mar	5320	5220	5320	5230
Apr	5110	5065	5115	5106
May	5000	4960	5000	5000

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1180	1216	1195	1170
Sep	1209	1245	1223	1198
Dec	1245	1280	1255	1236
Mar	1282	1313	1288	1270
May	1303	1333	1310	1300
Jul	1324	1355	1335	1325
Sep	1343	1374	1355	1344
Dec	1374	1405	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	85.50	85.95	87.00	85.20
Sep	88.00	88.50	89.60	86.90
Dec	91.60	91.85	92.95	90.25
Mar	94.20	94.40	95.75	93.25
May	95.85	96.20	97.30	96.20
Jul	97.65	97.50	99.80	98.20
Sep	99.25	99.10	0	0
Dec	102.50	101.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.97	12.10	12.06	11.84
Mar	11.60	11.67	11.61	11.48
May	11.60	11.70	11.61	11.48
Jul	11.61	11.71	11.61	11.47
Oct	11.60	11.73	11.60	11.45

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	75.09	74.83	76.50	73.85
Dec	72.05	70.86	72.70	71.40
Mar	72.95	71.65	73.40	72.98
May	73.34	72.13	74.13	72.60
Jul	90.00	91.44	92.20	90.00
Oct	66.60	66.00	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	191.95	190.80	192.10	190.40
Sep	179.15	176.30	179.30	176.80
Nov	169.00	167.25	169.25	167.00
Jan	164.00	162.90	164.00	162.00
Mar	163.50	162.75	164.00	161.80
May	163.25	162.00	162.00	162.00
Jul	163.25	162.00	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	609/4	615/6	612/0	604/0
Aug	613/4	626/4	617/4	608/4
Sep	620/2	627/4	626/0	616/0
Nov	633/4	641/4	638/4	626/0
Jan	644/4	653/2	649/2	639/4
Mar	657/4	664/4	662/0	651/0
May	663/4	673/4	669/0	661/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	23.55	24.21	24.10	23.48
Aug	23.50	24.07	23.92	23.38
Sep	23.48	24.05	23.95	23.45
Oct	23.43	24.00	23.90	23.40
Dec	23.43	24.01	23.90	23.35
Jan	23.35	23.90	23.80	23.35
Mar	23.30	23.83	23.60	23.30
May	23.30	23.83	23.32	23.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	178.7	180.5	180.5	177.8
Aug	179.6	181.9	181.9	178.8
Sep	181.4	184.1	184.0	180.8
Oct	183.6	186.2	186.2	182.8
Dec	187.4	189.9	189.5	186.0
Jan	188.5	191.0	189.3	187.0
Mar	190.5	193.0	192.0	189.0
May	191.2	194.6	192.0	191.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	279/6	282/6	282/4	279/0
Sep	272/6	276/0	275/4	270/6
Dec	269/2	273/4	272/0	268/4
Mar	274/4	278/6	276/2	272/2
May	280/0	283/2	280/2	277/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	305/4	305/4	307/4	304/2
Sep	312/4	314/0	315/0	312/0
Dec	328/4	330/4	331/4	327/6
Mar	335/6	338/4	339/4	335/2
May	334/0	336/4	338/4	334/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.20	74.07	74.35	73.67
Oct	76.07	75.92	76.20	75.42
Dec	75.72	75.47	75.80	75.20
Feb	75.32	75.12	75.35	74.90
Apr	76.00	75.87	76.00	75.70
Jun	73.15	73.10	73.30	73.05

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	60.45	61.02	60.70	59.92
Aug	58.00	58.15	58.37	57.20
Oct	52.27	51.95	52.50	51.30
Dec	51.25	50.95	51.60	50.30
Feb	49.30	48.87	49.40	48.50
Apr	46.17	45.85	46.27	45.65
Jun	49.50	49.27	49.60	49.10

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	50.65	50.57	52.15	49.57
Aug	49.65	49.40	51.25	47.42
Feb	54.57	55.62	56.90	54.60
Mar	55.65	55.70	56.40	55.70
May	55.50	55.87	55.95	54.70

LONDON STOCK EXCHANGE

Buyers catch the marketmakers short

A DIP in the sterling exchange rate, taking some of the bearish pressure off the international stocks, prompted a technical rally in UK equities yesterday which was rapidly extended when marketmakers were caught short of stock. The appearance of a few institutional buying orders was enough to bring strong price gains in such leading names as Glaxo and Reuters and, backed by strong start to the new Wall Street session, London closed 33 FT-SE points up in a somewhat astonishing display of resilience.

All the signs were that marketmakers had been caught unawares by the sudden reversal of the negative tone of the past week. Share prices opened lower and were expected to give further ground in the face of a 23 Dow point setback in New York overnight as well as an apparent attack on the timing for full UK entry into the European Monetary System from Sir Alan Walters, former economic adviser to the Mrs Margaret Thatcher, the British Prime Minister.

Account Dealing Dates		
*First Dealings:		
Jun 25	Jul 9	Jul 23
Option Declarations:		
Jul 5	Jul 19	Aug 2
Last Dealings:		
Jul 6	Jul 20	Aug 3
Account Day:		
Jul 16	Jul 30	Aug 13

*New-time dealings may take place from 8.30 am two business days earlier.

But the fall in sterling proved the more significant factor as far as equity investors were concerned. Hoare Govett's Mr Robin Aspinall told clients that ERM membership now appears to be a formal plank of UK Government policy: "Alan Walters is irrelevant."

Cheap buyers quickly entered the equity market and shares rose smartly as it became clear that marketmakers, despite the recent downturn in the stock market, had continued to try to keep trading books in balance. The upward momentum was maintained throughout the day with the help of several fairly small buying programmes operated by leading marketmakers.

The pace of the market slackened in early afternoon as London waited for Wall Street to open for the new session but was resumed as the New York market came in with a gain of 25 Dow points in London trading hours.

The UK market closed at the top of the day, showing a gain of 33 points on the FT-SE scale for a final reading of 2,360.5. This took the Footsie Index up to levels seen at the beginning of last week when the market was struggling with warnings on trading prospects for many companies and particularly for the retail industry.

Seaq trading volume yesterday increased to 449.1m shares from 442m in the previous session. There were few dramatically active features and the proportion of inter-market trades increased as marketmakers were forced to hunt for stock to meet the unexpected buying orders.

Traders admitted to some surprise at the extent of yesterday's recovery. Demand from institutions was light and shown only with caution. They were buyers of cheap stock but by no means willing to chase share prices ahead.

FINANCIAL TIMES STOCK INDICES

	July 11	July 10	July 9	July 6	July 5	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.87	78.78	78.40	78.63	79.03	86.06	84.30 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.28	87.21	87.24	87.80	88.02	96.86	92.91 (8/1)	83.60 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1877.7	1855.0	1859.3	1865.0	1858.2	1858.3	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	174.2	173.9	179.3	180.9	181.4	203.0	378.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2360.5	2327.5	2337.5	2340.0	2331.4	2258.7	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.94	5.00	4.99	4.97	4.99	4.34				
Earning Yld %(full)	10.93	11.07	11.04	11.00	10.99	10.18				
P/E Ratio(Net)(☆)	11.10	10.96	10.98	11.02	11.03	11.84				
SEAQ Bargns 4.45pm	25,339	22,688	23,130	25,021	22,819	34,893				
Equity Turnover(£m)†	-	793.61	818.03	1797.39	1054.15	1637.52				
Equity Bargains†	-	22,973	25,523	23,609	22,562	42,725				
Shares Traded (ml)†	-	379.3	433.8	601.5	416.9	588.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.87

Ordinary Share Index, Hourly changes Day's High 1877.7 Day's Low 1850.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1855.0	1854.3	1867.0	1869.0	1870.2	1871.0	1873.3	1872.1	1874.8

FT-SE, Hourly changes Day's High 2360.5 Day's Low 2324.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2324.8	2328.1	2344.4	2346.3	2349.0	2351.9	2352.7	2353.2	2355.1

GILT EDGED ACTIVITY

Indices*	July 10	July 9
Gilt Edged Bargains	97.9	93.4
5—Day average	91.1	91.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	8,200	172	-1	Courtaulds	323	365	+9	MEPC	46	612		Slough Ests	487	286	-4
ASDA Group	5,100	117½	+½	Dalgety	285	385	+2	Manpower	5	79		Smith (W.H.) A	227	344	+6
Abbey National	1,900	214	+2	Dixons	3,800	143	+4	Marks & Spencer	3,830	232	+5	Smith & Nephew	1,300	115½	
Allied-Lyons	1,300	492	+4	ECC Group	123	404	+1	Maxwell Comms.	6,100	195	-1	SmKl Beecham	1,700	645	+8
Amstrad	544	68		Enterprise Oil	219	635	+8	Mecca Leisure	1,690	85		SmKl Beecham Units	18	2498	+30
Anglian Water	849	169	+4	FKI	2,900	71		Midland Bank	2,800	314	+8	Smiths Inds.	718	229	+2
Argos	2,600	229	+1	Ferranti	2,700	34	+1	NatWest Bank	3,900	332	+7	South West Water	183	170	+1
Argyll Group	2,400	245	+4	Fisons	910	357	+9	Next	2,000	49	+2	Southern Water	257	143	+3
Ass. Brit. Foods	638	412	+1	Gen. Accident	1,500	533	+6	North West Water	2,300	161	+4	Standard Chartd.	434	458	+4
BAA	2,000	444	+9	General Elect.	9,300	197	+7	Northern Foods	214	337	+1	Storehouse	979	126	+4
BAT Inds.	1,200	637	+5	Glaxo	8,200	852	+23	Northumbrian Water	142	172	+2	Sun Alliance	678	337	+5
BET	1,900	262	+4	Globe Inv.	3,500	201		Pearson	276	770	+5	Sun Life	1	1310	
BICC	1,400	433	+6	Glynwed Intl.	295	286	+2	P & O	1,603	630	+12	T&N	14	182	-2
BOC	568	564	+12	Granada	3,100	218	-13	Pilkington	1,800	204	+5	TI Group	508	505	-2
BPB Inds.	958	213	+5	Grand Met.	2,500	650	+3	Polly Peck Intl.	1,000	438	+5	TSB	3,600	140	+4
BTR	1,900	426	+12	GUS A	176	1043	+18	Prudential	4,700	231	+3½	Tarmac	5,200	244	+2
Barclays	1,300	408	+6	GRE	995	232	+8	RHM	861	348	-2	Tate & Lyle	498	301	-4
Bass	673	1104	+14	GKN	242	400	+2	RMC	844	882	+8	Taylor Woodrow	390	284	+4
Beazer	979	182	+2	Guinness	1,500	790	+5	RTZ	1,200	547	+4	Tesco	2,700	228	+2
Berisford Intl.	3,900	65		Hammerson 'A'	678	702	-1	Racal	4,800	202	-2	Thames Water	1,400	152	+3
Blue Circle	665	239	+1	Hanson	17,000	228½	+7	Racal Telecom	30	358	+1	THORN EMI	1,000	747	+16
Boots	2,200	288	+3	Hanson Warrants	843	66	+2	Rank Org.	1,300	837	+13	Trafalgar House	1,000	290	+2
Brit. Aerospace	2,200	540	+10	Harrisons Crosfield	676	169	+1	Reckitt & Colman	225	1284	+27	Trusthouse Forte	2,500	285	+5
British Airways	3,000	217½	+2½	Hawker Sidd.	743	610	-5	Redland	471	597		Ultramar	861	336	+2
British Gas	4,430	225½	+1½	Hillsdown	1,200	275		Reed Intl.	1,900	448	+2	Unigate	796	291	+1
British Land	90	318	-2	IMI	794	250	+1	Reuters	680	1283	+24	Unilever	788	685	+8
BP	5,000	321	+4	ICI	1,400	1151	+11	Rolls Royce	7,200	229	+4	United Biscuits	1,700	355	
British Steel	6,300	136	+1	Inchcape	497	274	+4	Rothmans	440	825	+25	Utd. Newspapers	1,600	345	+11
British Telecom	6,400	311	+4	Kingfisher	1,000	355	+12	Ryl Bk Scotland	982	169	+2	Water Package Uts.	6	£1593	+33
Bunzl	537	89	-1	Ladbroke	1,000	321	+3	Royal Insurance	616	463	+2	Wellcome	537	599	+4
Burmah Oil	770	643	+12	Land Securities	187	620	+1	STC	984	281	+1	Welsh Water	1,030	174	+4
Burton	7,500	106	+7	Laporte	787	650	-3	Saatchi	837	82		Wessex Water	550	162	+1
Cable & Wire.	2,100	535	+5	Legal & General	1,200	429	+9	Sainsbury	1,100	295	+1	Whitbread 'A'	1,800	451½	+4½
Cadburys	1,900	353	-2	Lloyds Abbey	133	327	+4	Scottish & New.	503	346	+8	Williams Hldgs.	807	283	+5
Calor Group	152	254		Lloyds Bank	2,300	302		Sears	1,200	89	+3	Willis Faber	253	338	+3
Carlton Comms.	1,300	500	-4	LASMO	838	395	+2	Sedgwick	237	236	+3	Wimpey	341	245	+4
Coats Viyella	479	124½	+2	Lonrho	4,000	262	-1	Severn Trent Water	1,800	146	+4	Yorkshire Water	1,200	173	+8
Comm. Union	991	512	+8	Lucas	3,500	182		Shell Transport	2,300	455	+10				
Cookson	641	205	+5	MB Group	2,700	216	+7	Siebe	893	498	-3				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Differing views on Dixons

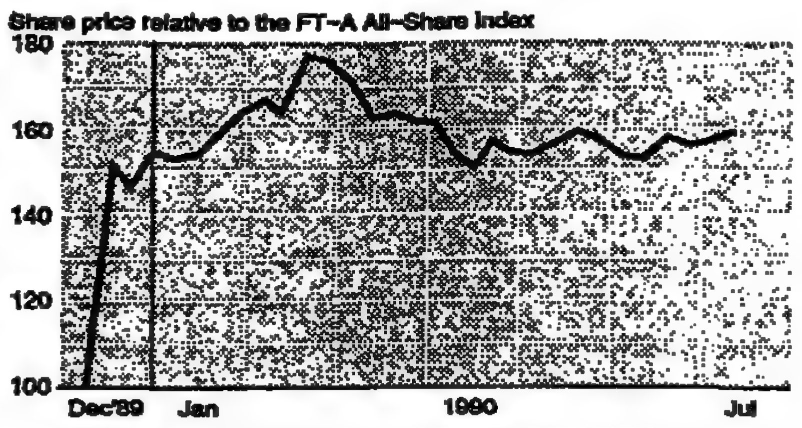
Full year results from Dixons found divided reactions from analysts and set the shares swinging first higher, then lower. The 2.1 per cent increase in profits to £80.1m included financial and property gains. When analysts stripped these out, they produced a range of of "real" figures up to £70m. That led some traders to express caution and UBS Phillips & Drew recommended selling.

Mr Nick Bubb at Morgan Stanley, on the other hand, reiterated his positive view and his £83m forecast for current year profit, after stripping out special gains. "The gross margin has been better than expected resulting from the integration of the Dixons and Currys retail chains, although trading was tough," said Mr Bubb.

Taking the middle ground was Mr Paul Deacon at Goldman Sachs who said that long-term funds could justify buying the stock but short-term gains were unlikely.

Dixons ended the day 4 better at 143p, having peaked at 145p and bottomed at 140p. Volume was a solid 3.8m shares.

Water Stocks



GEC wanted

A strong run developed in GEC shares with a number of institutions taking the view that the stock had been oversold during recent weeks.

The good performance coincided with a visit organised by investment bank BZW to GPT, the Liverpool-based telecommunications group owned 60/40 per cent by GEC and Siemens following their joint acquisition of Plessey.

It was also pointed out that James Capel, one of the big London agency stockbrokers, is taking a number of institutions to Paris to visit the GEC/Alstom operations there.

Mr Andrew Harrington, of the BZW electronics team, emphasising GEC's defensive qualities, said funds that are underweight in the equity market and worried about the economic outlook in the UK should look to buy GEC "with its 7.2 per cent gross yield and £574m of net cash in the bank."

Turnover in GEC reached 9.3m, easily outstripping that of any other stock in the telecoms/electronics sector. The shares ended the session a net 7 higher at 197p.

British Aerospace (BAe) rallied from recent weakness caused by cuts in UK defence spending and the cancellation of Tornado fighter orders. Helping the recovery was good support from Robert Fleming, the securities house, which has given a number of presentations on BAe recently. Analyst Mr Piers Whitehead rates the stock a strong buy.

He said yesterday BAe shares were trading at an *all-time low relative to* Rolls-Royce, both of which contribute to the Tornado contract, because of fears of more defence cuts and also adverse publicity over the BAe purchase of Rover, the vehicle manufacturer.

"The group has received a rough ride on the public relations side. Profits are unlikely to fall off a cliff," said Mr Whitehead, who believes the share price fall has been overdone. He expects BAe to achieve profits this year of £384m, a figure marginally higher than estimates by some competitors. BAe shares rose 10 to 540p yesterday.

Among foreign currency earners to benefit from sterling's about-turn on exchange markets were Rothmans, 25 up at 825p, Reckitt and Colman, 27 higher at 1284p, and Reuters, closing 24 to the good at 1283p. Traders reported shortages of these stocks.

After several days in the doldrums, Hanson climbed 7 to 228½p in busy turnover of 17m shares.

Glaxo climbed quickly in the wake of strong demand overnight from the US and suggestions that the company might bid for Upjohn, a US drug company. Analysts dismissed the bid speculation, and the share retreated from a peak of 858p to close at 852p, still a net rise of 23p.

BAT Industries firmed 5 to 637p as the company said it had on Tuesday bought 750,000 of its own shares at prices ranging from 631p to 635p.

Rolls-Royce shares were sought by institutional buyers based domestically and abroad. In good volume of 7.2m, they *moved closer to the high point* of the year to end 4 up at 229p; the 1990 peak is 233p. Rolls is discussing joint research into materials for a future fighter engine with Snecma of France but the talks are at a very early stage.

VSEL Consortium also made headway to 364p, for a rise of 9, but Hawker Siddeley suffered a relapse after Tuesday's rally and closed 5 lower at 610p. Davy edged below the 200p mark, which was hoped would be a resistance level, to settle at 198p.

BET prospered on speculation that a buyer had been found for Anglian Windows, which is up for sale. The sale would substantially reduce the group's gearing. BET shares finished 4 dearer at 262p.

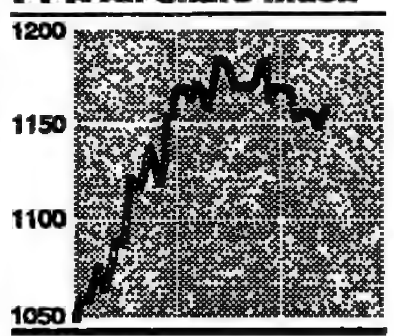
The negative sentiment in the property sector was highlighted by the latest commentary from BZW. The team there believes that the next few months will be devoid of corporate results and unlikely to produce few transactions in the direct market; but there may well be companies with worsening financial problems. Short term sales were recommended of Land Securities and MEPC, but trade was minimal in both stocks.

Hammerson "A" again recorded the heaviest volume among leading issues and eased further to 702p. County NatWest yesterday updated its assessment of the stock, saying that the traditional premium rating for the shares, previously justified on the back of the overseas portfolio, no longer appears valid. "Although exposure to overseas markets does give a greater spread of risk as well as exposure to higher portfolio growth rates, particularly in Europe, Hammerson is losing all of these benefits and more from the current strength of sterling," County added.

Water shares made substantial progress. "It is one of the areas of the market completely free of currency influences, all pure UK earnings," said one dealer.

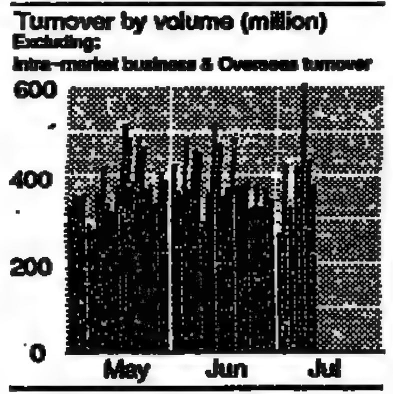
He said the stocks were boosted by a flurry of institutional buying and switching among the 10 stocks. As one analyst put it, "The fundamentals for the sector are good; you're buying solid income growth." The best individual performance came from Yorkshire Water which advanced 8 to 173p on 1.2m shares, while gains of 4 were common to Anglian, 169p, North West, 161p, Severn Trent, 146p, and Welsh, 174p. The Water Package advanced 33 to £1593.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



A press report that Burton would go ahead with its long talked of sale of its financial services operation gave the shares a boost. Analysts at Goldman Sachs said such a disposal "would sort out a lot of their problems." Investors would then have the opportunity to secure "quite a secure double figure dividend." Burton added 7 at 106p.

The prospect of interim results today left Rank Organisation 13 better at 837p. Marks and Spencer recovered 5 to 232 ahead of the company's annual meeting today.

News that Courtaulds is to pay $135m to Desoto of the US for coatings businesses in the US, Canada, UK and Singapore, left the shares 9 ahead at 365p.

United Newspapers, publisher of the Daily and Sunday Express, rose on renewed hopes of a bid from 9 per cent shareholder Hollinger, the Canadian media company which owns the Daily Telegraph.

Mr Conrad Black, chairman of Hollinger, this week appointed Sir James Goldsmith to the Telegraph board. Mr John Kenny at BZW said that although a bid was unlikely in the short term, when it came a cash alternative was not required by stock exchange rules because the stake was less than 10 per cent.

There were more downgrades among the oil majors, but the sector was sustained by a much firmer showing by crude oil prices and the turnaround in currencies which triggered a handful of buying orders.

Specialists said there was a growing belief that OPEC *members will achieve an* accord on production discipline at the full meeting of OPEC ministers scheduled for July 25.

BP managed a 4 gain at 321p with 5m shares traded. Shell was well supported and moved up 10 to 455p with turnover reaching 2.3m. Burmah, weakened recently by a number of profits downgrades, rallied 12 to 643p.

Aviva retreated 12¼ to 28¾p following the disappointing drilling results from Colombia.

Brewers had a good session after several days' weakness. They were helped by the return of warm weather, said traders. Whitbread firmed 4½ to 451½p and Allied-Lyons added 4 at 492p. Scottish and Newcastle rose 8 to 346p as *vague talk of a bid resurfaced.*

USM-quoted Fuller Smith & Turner, the London based brewer, staged a belated rally in the wake of Tuesday's announcement that it had bought 44 pubs from Allied-Lyons for £9m. The shares climbed 20 to 395p.

Two early buyers of BAA led to renewed talk of buying from Bermuda-basedADT, which has a stake of about 9 per cent in the company. BAA closed at the day's best of 444p, an improvement of 9. Turnover was a good 2m shares.

An 11.6 per cent fall in Granada's half-year profits to £63.3m disappointed a market already accustomed to hearing cautious comment on the company. Mr Bruce Jones at Smith New Court said that although *the rating was undemanding* it was too soon to turn positive on the stock. Other researchers said that it was hard to see improvements in the medium term. Marketmakers said that only the possibility of a bid was keeping the stock even at these levels. Granada fell 13 to 218p, making a two-day decline of 36p.

In the property sector, which has been hurt recently by worries over the effects of high interest rates and reduced demand for both office and domestic property, the second-line companies had Control Securities 2¼ easier at 38p after preliminary figures, and Marylebone Estates 4 to the good at 26p following reports of new bid talks. Property Company of London gave back 10, *at 117p, of the previous session's* rise which preceded news of Mr Shiraz Kassam raising his stake to 16.5 per cent.

Wolseley (321p) regained 9 of Tuesday's fall of 12, while Morris Ashby responded to a positive statement with the annual results to close 7 higher at 60p. Epicure Industries moved forward 4¼ to 32½p on the agreed bid from Heron of Sweden. The chairman's comments at the annual meeting yesterday raised Sanders & Sidney 7 to 215p.

■ Other Market statistics, including the FT-Actuaries share index, Page 19

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (43).
BRITISH FUNDS (1) BUILDINGS (2) CHEMICALS (1) STORES (3) ELECTRICALS (4) ENGINEERING (3) FOODS (1) INDUSTRIALS (12) Bowater 7.75pc Cv. Pf., Caparo Inds., Carbo, Cent. Sherwood, Glaxo, Hutch Whmp., Robertson Grp., Sanders & Sidney, Shanks & McEwan, Stat-Plus, UDO, Wyko Grp., INSURANCE (1) LEISURE (1) NEWSPAPERS (1) PROPERTY (1) SHOES (1) TEXTILES (1) TOBACCOS (1) TRUSTS (6) OILS (1).
NEW LOWS (88).
AMERICANS (14) CANADIANS (2) BANKS (8) BUILDINGS (4) CHEMICALS (3) STORES (4) ELECTRICALS (8) ENGINEERING (3) FOODS (5) INDUSTRIALS (12) BSG Intl., Brit. Fittings, Dyson (J. & J.), Granada, Hawthorn Leslie, Marling Inds., Mayborn Grp., Sale Tilney, Scot. Heritable Tst., Sothebys Hldgs. Inc. Class A, St. Gobain, Wyndahm, INSURANCE (3) LEISURE (2) MOTORS (3) NEWSPAPERS (1) PAPERS (3) PROPERTY (3) TRUSTS (3) OILS (3) OVERSEAS TRADERS (1) MINES (4) THIRD MARKET (1).

APPOINTMENTS

New post at GrandMet

■ GRAND METROPOLITAN has appointed Mr J. Howard Chandler as group external affairs director. He was executive vice president and chief administrative officer of the company's food sector based in Minneapolis. In this newly-created post Mr Chandler will be responsible for developing world-wide strategy and implementing programmes to assist in the overall understanding and appreciation of GrandMet's operations.

■ MEES & HOPE SECURITIES has appointed Ms Lucy Cottrell to the board.

■ TEMPLETON UNIT TRUST MANAGERS, Edinburgh, has appointed as investment managers Mr Ian McBean, who was an executive director of County NatWest Wood Mackenzie, and Dr Sandy Nairn, who joins from Murray Johnstone.

■ VAUX GROUP has promoted Mr Peter Gatesby from deputy managing director to deputy chairman. He continues as managing director of Swallow Hotels, the group's major subsidiary.

■ HODDER & STOUGHTON HOLDINGS has appointed Mr Tom Biggs-Davison and Mr Richard Stileman as directors.

■ Mr Tony Tucker has been appointed head of international syndications at CONTINENTAL BANK.

■ C.H. INDUSTRIALS has appointed Mr Alex Lattimer as managing director of Tansad, with Mr Alan Beswick, a divisional chief executive of CHI, as chairman. Mr Paul Cole is made managing director at Parnall Contracts.

■ TURNBULL SCOTT HOLDINGS has appointed Mr P.N.J. Fox-Andrews as a main board director. He is a founder director of Sitex Security Products, now part of Turnbull Scott. He will continue as joint managing director of Sitex until March 1991. Turnbull Scott has appointed Mr Robert Williams as finance director designate. He was group financial director at VG Instruments.

■ Mr Brian A. Greenberg has joined MANULIFE FINANCIAL as technical services manager from Prolific Financial Management.

■ REPSOL (UK) has formed a new board: Mr Juan Sancho Rof, chairman; Mr Dick Dasent, managing director; and as directors and divisional general managers Mr Lou Strond, petroleum; Mr Ken Wiseman, refining and specialities; Mr James Bonnardeaux, corporate finance and planning; and Mr Graham Mealor, logistics and development.

Dr Mike Smith *(pictured)* has been appointed chairman of SCHERING HOLDINGS, succeeding Mr Terry James who has retired and become a non-executive director.

■ *MOORES MARR BRADLEY* has promoted Mr Roy Rome from financial controller to finance director.

■ Mr David Lesser, managing director of LESSER LAND, is to become managing director of Lesser Land Scotland, replacing Mr Douglas Smith who is leaving to join Murray Johnstone.

■ Mr Clive Brook, local director in Milton Keynes, has been appointed to the 3i board.

■ Mr Brian Hassell, managing director of Barclays Mercantile Business Finance, has become chairman of the *EQUIPMENT LEASING ASSOCIATION.*

■ Mr Richard Clemons has been appointed non-executive chairman of the NOTTINGHAM GROUP. He was chairman of Ritz Design Group and vice chairman of Bassett Foods.

■ Mr John Draper has been appointed a director of CHILTERN FINANCIAL SERVICES.

■ ROYAL INSURANCE HOLDINGS has appointed Mr William Schouten as manager, group strategic development.

■ INTERMEDIATE CAPITAL GROUP has appointed Mr Martin Conder and Mr Simon Morrell as associate directors. Mr Conder joins from Coopers & Lybrand Deloitte, and Mr Morrell from Price Waterhouse.

■ *Miss Suzie Procter* has been appointed a director of MIDLAND MONTAGU ASSET MANAGEMENT.

■ NOBLE LOWNDES & PARTNERS has appointed Mr Phil Bainbridge as director, human resources. He was a director of March Consulting Group.

■ We have been asked to point out that in the appointment at the Bank of Wales reported on July 10. Mr David Martin becomes deputy general manager, assisting Mr David Williams, director and general manager. Mr Eric Crawford's post as chief executive is unchanged.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
		Treas. 8pc Cv 1990 ‡‡			8.03	
		Treas. 10pcCv 1990			10.14	
		Exch 2½pc 1990			2.58	
		Treas 11½pc 1991			11.91	
		Funding 5¼pc '87-91‡‡			6.02	
		Treas. 3pc 1991			3.21	
		Treas 10pc Cv '91 ‡‡			10.31	
		Exch. 11pc 1991			11.34	
		Treas. 8pc 1991			8.57	
		Treas 12¾pc 1992‡‡			12.83	
		Treas 10pc 1992			10.48	
		Treas. 9pc 1992 ‡‡				
		Treas 10½pc Cv 1992‡‡				
		Treas. 3pc 1992				
		Exch. 12¼pc '92				
		Exch 13½pc 1992				
		Treas 8¾pc 1993				
		Treas 10pc 1993‡‡				
		Treas 12½pc 1993‡‡				
		Funding 6pc 1993‡‡				
		Treas 13¾pc 1993‡‡				
		Treas. 8½pc 1994				
		Treas 14½pc 1994‡‡				
		Exch 13½pc 1994				
		Treas. 10pc Ln. 1994‡‡				
		Exch. 12½pc 1994				
		Treas 9pc 1994‡‡				
		Five to Fifteen Years				
		Treas 12pc 1995				
		Exch 3pc Gas 90-95				
		Exch. 10¼pc 1995				
		Treas. 12¾pc 1995‡‡				
		Treas. 14pc '96				
		Treas. 9pc 1992-96‡‡				
		Treas 15¼pc 1996‡‡				
		Exch 13¼pc 1996‡‡				
		Conversion 10pc 1996				
		Treas 13¼pc 1997‡‡				
		Exch 10½pc 1997				
		Treas 8¾pc 1997‡‡				
		Exch 15pc 1997				
		Exch. 9¾pc 1998				
		Treas 6¾pc 1995-98‡‡				
		Treas. 15½pc '98‡‡				
		Exch. 12pc 1998				
		Treas 9½pc 1999‡‡				
		Exch. 12¼pc 1999				
		Treas. 10½pc 1999				
		Conversion 10¼pc 1999				
		Treas. 8½pc Ln 2000‡‡				
		Conversion 9pc 2000‡‡				
		Treas. 13pc 2000				
		Treas 10pc 2001				
		Treas. 10pc 2001 "A"				
		Treas. 14pc '98-01				
		Treas 9¾pc 2002				
		Treas. 9¾pc 2002 'A'				
		Treas 9¾pc 2002 "B"				
		Exch. 9pc 2002				
		Treas. 13¾pc 2000-03				
		Treas 10pc 2003				
		Treas. 11½pc 2001-04				
		Treas. 10pc 2004				
		Funding 3½pc '99-04				
		Conversion 9½pc 2004				
		Over Fifteen Years				
		Conversion 9½pc 2005				
		Exch. 10½pc 2005				
		Treas. 12½pc 2003-05				
		Treas. 8pc 2002-06‡‡				
		Treas. 11¾pc 2003-07				
		Treas 8½pc 2007 ‡‡				
		Treas. 13½pc '04-08				
		Treas. 9pc 2008 ‡‡				
		Treas 8pc 2009				
		Conv 9pc Ln 2011 ‡‡				
		Treas. 5½pc 2008-12‡‡				
		Treas. 7¾pc 2012-15‡‡				
		Exch. 12pc '13-'17				
		Undated				
		Consols 4pc				
		War Loan 3½pc‡‡				
		Conv. 3½pc '61 Aft				
		Treas. 3pc '66 Aft				
		Consols 2½pc				
		Treas. 2½pc				

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	227	+2	44c	1.4	8.8	8.1
214	172	Abbey National 10p	214	+2	5.7	4.3	3.6	8.7
*274	210	Allied Irish Ord	210	−6	Q40%	3.3	4.5	9.0
£133/4	£103/4	Algemene Fl.10	£103/4	−1/4	Q28%	2.1	7.7	6.1
85	63	Anglo Irish	68	+1	†Q18.7%	2.7	6.5	9.3
83	68	Ansbacher (H.) 1p	82	......	2.5	1.3	4.1	23.6
£713/4	£541/4	Bancaire Cie Fr100	£57	−1/4	Q12¼%	–	2.9	–
£221/2	£161/2	Banco Bilbao Viz	£191/2	......	Q49.1%	2.7	4.3	12.6
£31	£241/4	Banco de Santander	£281/4	......	Q25%	2.4	4.0	10.5
286	215	Bank Ireland Ir£1	215	−19	Q14.7%	2.9	6.4	7.2
£191/2	£18	Bank Leumi	£191/2	......	–	–	–	–
350	320	Bank Leumi (U.K.)	345	......	†13.5	–	4.9	–
125	104	Bank Scotland	119	......	4.55	3.3	5.1	7.9
1001/4	833/4	Do. 9¾pc Irrd Pf	95	......	9¾%	–	13.0	–
54	39	Bank of Wales	52	......	2.8	0.8	7.2	(25.0)
428	352	Barclays £1	406xd	+6	h19.57	3.5	6.4	5.6
22	12	Benchmark 20p	14	......	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	315	......	12.0	2.2	5.1	10.2
*435	341	Cater Allen £1	366	......	h24.5	♦	8.9	♦
179	112	Chancery	112	......	9.0	2.7	10.7	4.5
£231/4	£181/4	Commerzbk DM10	£201/4	......	Q18%	–	3.1	–
£131/2	842	Dai Ichi KBk Y50	887	......	Q17%	♦	0.4	♦
[illegible]	£261	Deutsche Bk DM50	£2741/2	+11/2	Q28%	–	1.7	–
£203/4	£181/2	Espirito Santo	£181/2	......	075c	5.1	2.4	–
253	183	First Nat. Fin. 10p	198xd	......	13.0	2.1	8.8	6.8
121	96	FNFC 6.3pc Cv. Pf	98	+2	6.3%	–	8.6	–
£131/4	968	Fuji Bank Y50	978	......	Q17%	♦	0.3	♦
325	262	Gerrard & National	291	......	19.0	–	8.7	–
154	122	Guinness Mahon 10p	122	......	2.1	–	2.3	–
328	223	Hambros 20p	266	−1	11.5	–	5.8	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
403	161	Sketchley	178	−4	G6.5	♦	5.8	♦
1371/2	102	Smith & Neph. 10p	1151/2	......	4.25	1.8	4.9	13.5
631	460	SmithKline Beecham A	545	+8	W11.0	2.7	2.7	18.2
2788	2098	Do. Equity Units	2498	+30	–	–	–	18.2
298	218	Smiths Inds. 25p	229	+2	8.9	2.9	5.2	9.0
108	73	Somic	75	......	2.5	♦	4.4	♦
1600	825	Sotheby's Hldgs Inc Class A	825	−75	Q60c	–	4.1	–

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

Miscellaneous

[illegible]

THIRD MARKET

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
6¼	3¼	Vista Ents 5p.......y	4¼	......	–	–	–	–
18	13	Vizcaya Hldgs 5p...y	13	......	–	–	–	–
5½	3¼	Wilton Group 1p....y	3¼	......	–	–	–	♦

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ≠ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]	[illegible]
Arnotts	285

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	46½
GEC	18
Glaxo	68
Grand Met	93
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	39
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	38
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property

Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Aviva Petlm	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines

Lonrho	21
RTZ	50

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	49.30	49.77	52.94	+0.24	5.18
Gilts & Fixed Int	6	104.1	104.1xd	110.5	+0.3	9.95
High Inc Equity	6	134.1	134.1xd	143.4	+0.6	4.43
Worldwide Bond	6	184.7	184.7	196.0	+0.8	6.55
Capital Growth						
American Growth	6	182.4	183.9	195.6	+0.9	1.19
Asian Pacific	6	137.2	140.2	149.1	+2.3	0.00
Assets & Earnings	6	157.8	161.5	171.8	+0.8	2.82
Capital Reserve Acc	0	93.18	93.18	93.37	+0.02	7.65
Capital Reserve Inc	0	78.32	78.32	78.48	+0.02	7.65
Commdy & Energy	6	88.92	91.35	97.15	+0.43	0.00
Dividend & Growth	6	46.75	47.80xd	50.85	-0.43	4.42
1992 Enterprise	6	62.63	63.94	68.02	+0.14	1.97
Euro Capital Acc	6	101.7	103.0	109.5	-0.1	0.90
Euro Capital Inc	6	97.61	98.89	105.2		0.90
General	6	177.1	180.7	192.2	+1.2	2.60
International	6	60.29	61.07	64.96	+0.63	0.77

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brown Shipley & Co Ltd—Contd.						
Recovery	6	42.55	42.55xd	45.32	-0.14	3.02
Smaller Cos Acc	6	248.8	248.8	265.0	+0.20	—
Smaller Cos Inc	6	152.4	152.4	162.3	+0.18	1.28
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	189.3	189.3	196.3	.....	5.71
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Emerging Gwth	5¼	60.54	60.54	64.17	-0.01	3.70
(Accum Units)	5¼	62.69	62.69	66.45	-0.01	3.70
Fellowship Tst	5¼	62.74	63.19	67.22	.....	3.02
(Accum Units)	5¼	65.48	66.06	70.28	.....	3.02
General Inc	5¼	290.0	294.0	312.8	+1.0	3.30
(Accum Units)	5¼	504.9	511.8	544.5	+1.7	3.30
Income	5¼	158.8	161.3	171.6	+0.7	4.10
(Accum Units)	5¼	322.4	327.3	348.2	+1.2	4.10
International	5¼	98.98	98.98	104.9	+0.9	1.00
(Accum Units)	5¼	136.8	136.8	145.0	+1.4	1.00
Smaller Co's	5¼	101.6	103.31	109.9	+0.1	2.04
(Accum Units)	5¼	113.8	115.8	123.2	+0.2	2.04
Inv Portfolio	3	55.25	55.25	57.18	+0.19	2.50
(Accum Units)	3	57.92	57.92	59.95	+0.21	2.50
High Income Port	3	46.74	47.69	49.42	+0.18	4.90
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7216						
Short Dated Gilt	1¼	56.92	56.92	57.78	.....	6.87
CCF Foster Braithwaite UT Mngt (1100)F						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
EFM Unit Tst Mngrs Ltd—Contd.						
Resources	5	23.25	23.25	24.71	+0.22	1.62
Pacific	5¼	43.67	43.67	46.41	+0.73	0.32
Smllr Jap Cos	5	75.48	75.48	79.96	+1.34	—
Tokyo	5	195.8	195.8	207.6	+9.5	—
Eagle Star Unit Mngrs Ltd (1000)H						
Bath Road, Cheltenham GL53 7LQ 0242 221311						
UK Balanced Inc	6	94.11	95.97xd	102.1	+0.20	2.99
UK Balanced Acc	6	103.3	105.3xd	112.0	+0.20	2.99
UK Growth Acc	6	146.2	149.6	159.0	+0.30	2.25
UK High Inc Inc	6	106.0	108.2	115.1	+0.60	6.04
Nth America Acc	6	74.98	76.54xd	81.43	+0.21	1.22
Far Eastern Acc	6	124.6	126.1xd	134.2	+1.40	0.04
European Acc	6	127.4	130.9	139.3	.....	0.52
UK Pref & F I Inc	6	48.72	48.72xd	51.76	+0.16	9.22
UK Pref & F I Acc	6	65.88	65.88xd	69.99	+0.20	9.22
Intl Spec Sits Acc F	6	44.22	44.22	47.04	+0.06	1.88
Environmental Opps	6	53.13	54.19	57.65	+0.07	1.39
Elcon Ltd (1000)F						
Central Ct, Knoll Rise, Orpington, BR6 0JA 0689 70536						
Elcon Trust	5	160.10	161.4	173.0	.....	—
Endurance Fund Management Ltd (0905)F						
41 Harrington Gardens, London SW7 4JU 071-373 7261						
Endurance Fd	5	146.0	147.7	157.1	.....	2.29
Equitable Unit Trust Managers Ltd (1600)F						
Walton St, Aylesbury, Bucks, HP21 7QW. 0296 431480						
European	5	61.22	62.04xd	65.39	.....	1.52

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Asset Management (1200)F						
GAM Sterling Management Ltd						
12 St James's Place, London SW1 071-493 9990						
GAM £ & Intl Inc	5	357.12	357.99xd	380.80	.....	3.98
GAM £ & Intl Acc	5	379.12	380.08xd	404.34	.....	3.98
GAM UK Spec Inc	5	136.46	136.46	145.17	+1.39	2.35
GAM UK Spec Acc	5	145.00	145.00	154.26	+1.49	2.35
GAM £ European Inc	5	141.81	141.81	150.86	-1.80	1.02
GAM £ European Acc	5	143.06	143.06	152.19	-1.85	1.02
GAM High Income Inc	5	104.17	104.17xd	110.82	-6.18	6.88
GAM High Income Acc	5	113.85	113.85xd	121.12	-6.71	6.88
GAM Nth Amer Inc	5	135.30	135.53	144.17	.....	4.59
GAM Nth Amer Acc	5	154.76	155.01	164.91	.....	4.59
GAM Far East Inc ♥	5	169.80	170.91	181.82	.....	1.13
GAM Far East Acc ♥	5	170.79	171.90	182.87	.....	1.13
Govett (John) Unit Mgmt Ltd (1000)F						
Shackleton House, 4 Battle Bridge Lane, London SE1						
071-378 7979 Dealing: 071-407 7888						
UK Spec Oppt	5¼	157.89	157.89	170.69	-0.70	1.10
UK Progressive Inc	5¼	73.86	75.14xd	80.96	+0.49	4.79
UK Small Co's	5¼	44.82	46.35	49.58	+1.24	4.01
Gt British Co's	5¼	47.53	47.53	50.84	+0.03	1.82
American Gwth	5¼	81.29	82.48	88.22	+1.77	0.00
American Income	5¼	68.90	68.90	73.69	+0.07	5.19
Japan Gwth ♦	5¼	72.34	72.34	77.37	+1.23	0.00
Pacific Inc ♦	5¼	111.24	111.92xd	119.70	+1.78	2.98
Pacific Strategy ♦	5¼	73.65	73.65	78.77	+0.73	0.27
European Gwth	5¼	72.63	72.63	77.59	+0.09	0.00
Intl Growth	5¼	106.91	106.91xd	114.34	+0.68	0.99
German Horizons	5¼	46.25	46.25	49.34	-0.08	0.07

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	6	242.0	244.9	261.5	+1.8	4.65
(Accum Units)	6	445.6	450.9	482.2	+2.5	4.65
Intl High St UT	6	58.94	58.94	63.04	+0.4	1.50
(Accum Units)	6	61.16	61.16	65.41	+0.4	1.50
Japan Growth	6	323.3	323.3	346.0	+5.7	0.00
(Accum Units)	6	339.8	339.8	363.7	+6.1	0.00
Mandarin Tst	6	66.96	66.96	71.60	+0.63	1.50
(Accum Units)	6	67.99	67.99	72.69	+0.63	1.50
Mngd P'folio Acc	6	70.50	71.26	76.21	+0.39	2.43
Money Market UT	1½	50.27	50.27	51.02	+0.01	13.50
(Accum Units)	1½	58.57	58.57	59.44	+0.01	13.50
North American	6	115.7	117.1xd	125.2	+1.7	0.78
(Accum Units)	6	142.8	144.5	154.5	+1.9	0.78
Smaller Cos	6	147.9	147.9	158.2	-0.4	2.49
(Accum Units)	6	165.5	165.5	177.0	-0.5	2.49
Meridian Income	6	101.1	101.1xd	108.1	+0.7	4.37
(Accum Units)	6	107.7	107.7	115.2	+0.8	4.37
Meridian Growth	6	118.0	118.0	126.2	+1.0	2.20

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
39 Pilgrim Street, Newcastle upon Tyne NE1 6RQ						
Administration & Dealing:						
Unit Trust Accounting & Management Ltd						
1 White Hart Yard, London SE1 1NX 071-407 5966						
American	6	—	—	50.00	.....	0.4
European	6	—	—	50.00	.....	0.00
Global	6	—	—	50.00	.....	0.5
Pacific	6	—	—	50.00	.....	0.00
UK Income & Growth	6	—	—	50.00	.....	0.4
Premium Life Unit Tst Mngrs Ltd (1400)F						
37 Perrymount Rd, Haywards Heath 0444 458721						
Monthly Income	6	46.11	47.72	50.58	+0.03	4.64
Principal Unit Trust Mngmt Ltd (1600)F						
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700						
Principal Tst	5¼	96.68	98.55	104.85	.....	3.50

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

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	Init Chrg	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Acc	5	76.02	76.02	81.03	+0.37	4.94
Property Share	5	41.67	41.67	44.42	[illegible]	4.19
Smaller Co's	5	37.96	37.44	39.83	[illegible]	2.42
Nth American	5	58.40	58.40	62.46	-0.12	1.25
International	5	46.64	46.64	49.87	+0.11	[illegible]
Asset Value	5	162.37	162.37	173.65	+1.68	3.85

Wright Seligman Fund Mngrs Ltd (1700)F
11 Blomfield St, London EC2M 7AY 071-588 0592

	Init Chrg	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Growth	5	107.03	107.03	112.67	-2.40	0.50
UK Growth	5	102.65	102.65	108.05	-1.79	2.72
UK Income	5	96.83	96.83	101.92	-1.96	6.21

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F
Woodsome Pt, Fenay Bdge, Huddersfield 0484 602250

	Init Chrg	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Yorkshire General	5½	56.33	56.33	61.22	+0.09	3.88
YUTM UK Eqy Inc Tst	7½	61.82	61.82	66.46	+0.29	5.12
YUTM Intl Gwth Tst	6½	51.89	51.89	55.33	-0.20	0.15

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid	Offer	+ or -	Yield
Int'l Expt June 20	581.7	603.5	—	0.64

Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid	Offer	+ or -	Yield
Inv Fund June 30	531.05	535.95	—	5.15
Fxd Int Sec June 30	127.90	128.40	—	11.34

Deposit Fund: See Money Market Trust Funds.

Charinco/Charishare (1000)F
33 King William Street, EC4R 9AS 071-280 2800

	Bid	Offer	+ or -	Yield
C'inco Inc July 4	150.1	153.9	—	10.66
C'inco Acc July 4	684.4	701.8	—	10.66
C'share Inc July 4	160.3	166.6	—	3.66
C'share Acc July 4	183.1	190.4	—	3.66

CAFINVEST—Charities Aid Foundation
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333

	Bid	Offer	+ or -	Yield
Balanced Growth	53.56	55.17	—	3.58
Income	49.79	50.83	—	7.75

COIF—Charities Official Inv Fd
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid	Offer	+ or -	Yield
Income June 30	510.77	514.6	—	5.57
Accum June 30	[illegible]	[illegible]	—	—
Fixed Int Income June 30	102.95	103.15	—	11.25
Fixed Int Accum	102.95	103.25	—	—

Deposit Account: see Money Market Trust Funds

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid	Offer	+ or -	Yield
American July 11	144.8	148.8	-2.0	1.52
Managed July 11	140.4	145.7	-3.5	1.98
Japan July 11	120.9	124.2	-8.2	0.17
Pacific July 6	559.7	575.1	-7.5	0.18
Sm Jap Cos July 6	601.7	618.2	+18.4	0.08

Fidelity Investment Services Ltd

	Bid	Offer	+ or -	Yield
Mngd Pens P'folio	127.6	130.9	+0.60	0.03

Robert Fleming Asset Mngmt Ltd

	Bid	Offer	+ or -	Yield
Am Exempt July 3	£420.73	427.03	—	2.03
Gen Exempt July 3	£127.35	129.99	—	3.93
Jap Exempt July 3	£511.57	521.48	—	0.74
Pacific Exempt July 3	£96.36	98.39	—	2.65
Qntd Euro Exmt July 3	£106.54	108.56	—	2.24
Indexed Exempt June 21	£121.41	125.45	—	4.52
Amer Indxd Expt June 21	£93.66	94.60	—	3.19
Japan Indxd Expt June 21	£70.34	71.77	—	0.72
Euro Indxd Expt June 21	£110.99	113.24	—	2.66

INSURANCES

Continued on next page

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Pearl Assurance (Unit Funds) Ltd
Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or −	Yield Gross
Prop. Dist. (Gross)	168.9	177.8	-----	−
Prop. Acc. (Gross)	289.7	305.0	-----	−
Equity (Gross)	805.6	848.0	+3.6	−
Managed (Gross)	563.2	592.9	+2.0	−
Prop. Acc. (Net)	134.9	142.0	-----	−
Equity (Net)	185.9	195.7	+0.8	−
Managed (Net)	171.9	181.0	+0.6	−
Internat'nal (net)	164.9	173.6	+0.6	−
Gilt & Fxd Interest	104.5	110.1	+0.2	−
Money Fund	116.9	123.0	-----	−
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	573.0	603.2	+2.5	−
Ret Man (Series 2)	194.3	204.6	+0.8	−
Ret Man (Series 3)	129.6	129.6	+0.6	−
Ret Cash	157.1	165.4	+0.1	−
Ret Cash (Series 3)	130.5	130.5	+0.1	−

Pegasus Assurance Ltd
Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Aggressive	104.2	109.7	−0.1	−
Managed Balanced	97.4	102.6	−0.2	−
Managed Cautious	93.6	98.6	−0.2	−
Pension Funds				
Managed Aggressive	105.1	110.7	-----	−
Managed Balance	99.0	104.2	−0.2	−
Managed Cautious	94.7	99.70	−0.2	−

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	319.0	335.8	−5.7	−
Man Pens Inc & Cap Fds	424.4	446.8	−4.3	−
Money Fund	131.7	138.7	+0.3	−
Pens Mngd Fd (Unit)	115.1	121.2	−0.8	−
Pens Mngd Fd (Acc)	148.6	156.5	−0.9	−
Pens FT30 Fd (Unit)	143.7	151.3	−3.5	−
Pens FT30 Fd (Acc)	185.5	195.3	−4.2	−
Pens O'seas MgFd(Unit)	79.1	83.3	-----	−
Pens O'seas MgFd(Acc)	102.2	107.6	+0.2	−
Pens Fxd Int Fd (Unit)	102.3	107.7	−0.5	−
Pens Fxd Int Fd (Acc)	132.0	139.0	−0.5	−
Pens Deposit Fd (Unit)	113.0	119.0	+0.1	−

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Prufund				
Managed July 11	247.8	258.2	−2.3	−

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 071-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Holborn Series I Life Funds				
Managed	550.9	579.9	-----	−
Equity	1128.0	1187.4	-----	−
Fixed Interest	377.2	397.1	-----	−
Property	432.9	455.7	-----	−
Cash	289.0	304.3	-----	−
International	384.9	405.2	-----	−
Holborn Series II Life Funds				
Managed	538.4	566.8	-----	−
Equity	1099.7	1157.6	-----	−
International	376.3	396.2	-----	−
Fixed Intl	366.4	385.7	-----	−
Property	420.7	442.9	-----	−
Cash	281.2	296.0	-----	−
Pacific Basin	203.3	214.0	-----	−
North American	143.4	151.0	-----	−
European	187.7	197.6	-----	−
Holborn Balanced Grth	114.0	120.0	-----	−
Holborn Strategic Grth	114.0	120.1	-----	−

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 071-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	573.8	604.1	-----	−
Equity	830.7	874.5	-----	−
Global Equity	239.6	252.3	-----	−
Fixed Interest	408.4	429.9	-----	−
Property	432.7	455.5	-----	−
Cash	180.6	190.2	-----	−
Index Linked Gilt	206.2	217.1	-----	−
Guaranteed	13.73		-----	−
International Money	208.7	219.7	-----	−
North American	70.4	74.2	-----	−
Japanese	120.4	126.8	-----	−
European	115.2	121.3	-----	−
Special Situations	118.6	124.9	-----	−
Communications	96.2	101.3	-----	−
Smaller Companies	109.8	115.6	-----	−
International Small Cos	139.1	146.5	-----	−

Investment Portfolio Services Ltd
15 Manchester Sq., London W1M 5AE 071-486 0177

	Bid Price	Offer Price	+ or −	Yield Gross
IPS Investment Bond Managed Fd				
IPS Bond Fd	194.5	204.8	-----	−
IPS Global Grwth Fd	113.4	119.2	-----	−
IPS Masterfund II		109.8	-----	−

I.P.S. Lamont plc
15 Manchester Sq, London W1M 5AE 071-224 4488

	Bid Price	Offer Price	+ or −	Yield Gross
Recommended P'folio		113.4	−0.3	−
Private Speculator		101.8	+0.2	−

Leopold Joseph Fund Mngmt (Guernsey) Ltd
PO Box 244, St Peter Port, Guernsey 0481 712771

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
L.J. Internat. Fd	5	$27.08	27.08	29.34	-----	−
L J & S Currency Fund						
Sterling	0	[illegible]	20.862	20.863	-----	−
US Dollar	0	[illegible]	34.988	34.989	-----	−
Deutschmark	0	[illegible]	66.973	66.974	-----	−
French Franc	0	[illegible]	174.25	174.26	-----	−
Swiss Franc	0	[illegible]	55.417	55.418	-----	−
Japanese Yen	0	[illegible]	5186.80	5186.90	-----	−

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gros
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$31.65	33.04	.....	-
Strongbold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	$13.12	13.92	.....	-
Pacific Basin Fd	399.58	405.49	.....	-
Western European	$17.26	18.49	.....	-
The Thai-Euro Fund Ltd				
Lloyds Bank Fund Mngrs (Guernsey) Ltd				
NAV July 6		24.83	.....	-
Tyndall International (Guernsey) Ltd				
Capital Defender	31.26	1.33	.....	-
Int Yield Bond	47.6	49.5	.....	13.31
Internat. Spec. Sits	45.6	48.7	.....	-
Marasouchi Fd	88.1	92.6	.....	-
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$714.40	.....	-
Fixed Income Shares		$830.85	.....	-
Wellington Fd Mngrs (Guernsey) Ltd				
Intnl Growth Fd	$14.24	14.95	+0.23	-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Japan Meta Growth		$12.51	+0.14	-
Yamaichi ISS Fund		$9.03	+0.19	-
Yamaichi CB Plus Fund		$9.44	+0.12	-
Thai Inv Fund		$13.78	.....	-

IRELAND (SIB RECOGNISED)

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIG Fund Management Ltd "MI Trusts"						
MI Global Dollar		$-	1.03	1.10	.....	-

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)H

Lord Street, Douglas, IoM 0624 661551

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gros
Allied Irish Fund Managers - Contd.				
Irish Sterling Equities		£21.5336	.....	-
Ecu		Ecu13.0518	.....	-
Irish Gilt Fd		IR£191.1324	.....	-
Intl Managed Dollar		$26.0675	.....	-
Intl Managed Bond		£21.8845	.....	-
Barclays Intl Funds				
Currency Funds				
Sterling		£18.21	.....	13.8
US Dollar		$29.14	+0.01	6.9
Deutschemark		DM49.99	+0.01	6.8
Yen		Y3,728	+0.002	6.0
Managed Multicurrency	£12.86	12.30	-0.11	-
Managed Multicurrency	$23.79	24.63	.....	-
Bond Funds				
Sterling Bond	£8.383	8.398	+0.001	11.9
US Government Income	$95.35	98.75	-0.34	6.0
Brown Shipley Fund Mngmt (CI) Ltd				
Sterling Bond (Daily)	£8.81	9.11	+0.01	10.98
Sterling Cap (Daily)	£32.17	32.19	+0.02	-
Intl Bond (Daily)	$15.30	16.34	-0.10	7.89
Int Currency (Wkd)	£2.42	1.51	.....	7.94
Cater Allen Investment Management (CI)				
CA Gilt Income	£6.75	7.06	-0.04	16.99
CA Gilt & Futures	939.00	987.00	.....	8.10
CA Equity Gwth(2-1)	£4.58	4.97	.....	4.02
Citibank (CI) Ltd "Citifunds"				
Liquidity Funds				
Deutschemark		DM26.963	+0.019	-
Yen		Y2726.375	+1.542	-
Sterling		£10.304	+0.012	-
US Dollar		$16.471	+0.011	-
Managed		$16.215	+0.009	-
Short term Investment Funds				
Irish £ July 12		98.764	+0.169	-
Equity Funds				
Global Equity		$17.542	00	-
Japan Equity July 12		$11.370	+0.216	-
European Equity July 9		$16.047	+0.285	-
US Em Hitch July 9		$13.565	+0.377	-
US Spec Sits July 9		$15.038	+0.017	-
US Em Tech July 9		$14.715	+0.242	-
Citicare July 9		$20.439	+0.585	-
Bond Funds				
Global Bond		$13.343	-0.002	-
GNMA Bond July 9	$12.247	12.263	+0.117	-
NYB (A) July 9		$77693.256	+436.858	-
EBC Trust Company (Jersey) Ltd				

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gros
Man International Futures				
MINT LIMITED-Ord		$43.05	.....	-
MINT LIMITED-Inc		$15.44	.....	-
MINT GTD LTD Ser A		$23.03	.....	-
MINT GTD LTD-Spec Iss		$21.38	.....	-
MINT GTD LTD-Nov 1993		$20.30	.....	-
MINT GTD LTD-Jan 1994		$16.39	.....	-
MINT GTD LTD-Dec 1994		$14.36	.....	-
MINT GTD LTD-Aug 1995		$11.67	.....	-
MINT GTD Pacific LTD Ord		$10659.25	.....	-
MINT GTD Pacific LTD Inc		$10476.25	.....	-
MINT Alpha Gtd Ltd		$104.73	.....	-
PRIME MINT GTD PLC		$121.25	.....	-
MINT Sp Res Ltd (BNP)		$109.97	.....	-
MGA Pacific Ltd		A$1.11	.....	-
Meridian Funds				
Money Market		$1.00	.....	7.52
US Govt Income		$9.74		-
Global Govt Income		$10.81	+0.03	-
Global Equity		$12.57	-0.01	-
Multi-Currency		$11.10	+0.03	-
Morgan Stanley Japanese Warrant Fund NV				
NAV		$24.8250	.....	-
Murray, Johnstone (Inv. Adviser)				
American P'folio July 5	$28.68	30.11	.....	-
European P'folio July 5	10.60	11.13	.....	-
Japan P'folio July 5	$227.01	238.36	.....	-
Pacific P'folio July 5	$12.16	12.77	.....	-
NICS Europe and Income Fund				
U.S. $		$12.04	.....	-
NM Financial Mngt Intl Ltd				
NM Hong Kong Fd	HK$2.76	2.91	+0.004	7.24
Int Residential Prop Fd	£0.930	1.042	.....	4.00
National Mutual Insce Co (Bermuda) Ltd				
Nm Intl Mngd Fund	$14.88	15.83	.....	-
The New Zealand Fund				
Manager-Leadenhall Offshore Ltd				

	Bid Price	Offer Price	+ or -	Yield Gros
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (S1pm)				
Dollar Fd BOPUPs	$10.27	10.28	.....	-
Dollar Fd OPUPs	$9.64	9.70	.....	-
Sterling Fd BOPUPs	£10.38	10.39	.....	-
Sterling Fd OPUPs	£9.73	9.79	.....	-
DM Fd BOPUPs	DM10.10	10.11	.....	-
DM Fd OPUPs	DM9.29	9.34	.....	-
Yen Fd BOPUPs	$7.84	7.85	.....	-
Yen Fd OPUPs	$9.50	9.56	.....	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$13.76	14.46	+0.03	0.55
Japanese Warrants	$10.44	11.48	+0.07	-
Asian Warrants	$10.71	11.34	+0.29	-
European Warrants	$10.70	11.33	+0.05	-
Managed	HK$9.96	10.62	+0.05	-
Wells Fargo U.S. IT Fund				
NAV July 10		$10.00	.....	-
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0247	.....	-
Xiphias Int ECU		Ecu1.0241	.....	-

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD				0732 770114
Cafcash Deposit Fd	14.57	-	15.38	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ				071-588 1815
Deposit	14.65	-	15.57	3-Mth

Money Market Bank Accounts

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Profit-taking hits sterling

STERLING was weaker yesterday as traders took profits after the currency's failure to break through DM3.00 against the D-Mark. Earlier this week the pound's strong performance had led to speculation that a break through that level was very near and even after yesterday's decline dealers did not rule out another attack on DM3.00 in the near term. It maintains underlying support from high London interest rates and speculation about full membership of the European Monetary System.

The temptation to take profits after the recent sharp rise became too strong, as the pound appeared to run out of steam, but dealers doubted whether this led to the creation of short positions yesterday. Caution tended to increase however ahead of tomorrow's figures on June UK retail prices, amid fears that the annual inflation rate is in danger of rising into double figures. City analysts generally expected year-on-year inflation to be 9.9 per cent, compared with 9.7 per cent in May.

Sterling's decline gathered pace as the currency fell through technical support at DM2.9750. It closed at DM2.9675, against DM2.9900 on Tuesday. The pound also lost 1.70 cents to $1.7985, while falling to FFr9.9625 from FFr10.0350; to SFr2.5225 from SFr2.5350; and to Y267.25 from Y270.25. On Bank of England figures sterling's index fell 0.6 to 93.5.

Speculation about a possible rise in the Bank of Japan's discount rate continued to buoy the Japanese yen, although dealers doubted whether there would be any move in the near future. The D-Mark had eased to Y90.05 from Y90.35 at the close of trading in Europe.

There were no new factors to influence the dollar, but the US currency had a slightly firmer tone against European currencies. It rose to DM1.6505 from DM1.6470; to FFr5.5400 from FFr5.5275; and to SFr1.4030 from SFr1.3960. According to the Bank of England the dollar's index advanced to 65.7 from 65.5.

The Spanish peseta was again very firm within the EMS. In Paris the currency was fixed at its ceiling of FFr5.4785 per 100 pesetas for the second successive day. At the close of trading in London the Spanish unit remained outside its allowed band within the system and was above its ceiling against the French franc and D-Mark, rising to FFr5.4960 from FFr5.4890 and DM1.6375 from DM1.6355 per 100 pesetas respectively.

There was no intervention by the Bank of France or by the Bundesbank yesterday, but the Bank of Spain bought francs on the open market and at the Madrid fixing, when the franc fell to its floor of Pta18.2530.

The Australian dollar weakened after Mr Paul Keating, the Australian Treasurer, said that he expects the currency to fall. It declined to 79.75 US cents from 80.70 cents at the London close.

£ IN NEW YORK

July 11	Latest	Previous Close
£ Spot	1.7980-1.7990	1.8210-1.8200
1 month	1.00-0.99pm	1.03-1.02pm
3 months	2.97-2.95pm	2.89-2.87pm
12 months	9.64-9.57pm	9.57-9.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 11	Previous
8.30 am	93.7	94.3
9.00 am	93.5	94.3
10.00 am	93.6	94.2
11.00 am	93.7	94.1
Noon	93.6	94.1
1.00 pm	93.7	94.1
2.00 pm	93.4	94.1
3.00 pm	93.3	94.1
4.00 pm	93.5	94.1

CURRENCY RATES

July 11	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.739351	0.695953
U S Dollar	7	1.34377	1.25620
Canadian $	13.32	1.55501	1.45593
Austrian Sch.	6½	15.5179	14.5543
Belgian Franc	10¼	45.3993	42.6070
Danish Krone	10½	8.39520	7.87320
Deutsche Mark	6.00	N/A	2.06870
Neth. Guilder	7.00	2.48732	2.33150
French Franc	10¼	7.40484	6.94399
Italian Lira	13½	1617.60	1515.91
Japanese Yen	5¼	202.237	186.130
Norway Krone	8	8.45903	7.93413
Spanish Peseta	-	135.146	126.750
Swedish Krona	11	7.98267	7.48692
Swiss Franc	6.00	1.86381	1.75176
Greek Drach.	20½	N/A	202.612
Irish Punt	-	N/A	0.771476

† European Commission Calculations.
* All SDR rates are for July 10

CURRENCY MOVEMENTS

July 11	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.5	-18.3
U.S Dollar	65.7	-12.9
Canadian Dollar	104.1	+1.6
Austrian Schilling	109.3	+11.3
Belgian Franc	110.7	-2.7
Danish Krone	109.9	+4.2
Deutsche Mark	117.8	+23.6
Swiss Franc	113.3	+21.8
Guilder	113.7	+15.3
French Franc	104.1	-12.5
Lira	101.0	-18.5
Yen	123.0	+52.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for July 10 .

OTHER CURRENCIES

July 11	£	$
Argentina	9483.75-9525.15	5260.00-5280.00
Australia	2.2495-2.2515	1.2515-1.2525
Brazil	118.995-120.120	66.000-66.600
Finland	6.9130-6.9265	3.8500-3.8520
Greece	289.15-293.65	159.70-162.30
Hong Kong	13.9370-13.9870	7.7700-7.7720
Iran	124.50*	68.50*
Korea(Sth)	1295.55-1316.50	714.60-720.20
Kuwait	0.52700-0.52750	0.29070-0.29080
Luxembourg	61.00-61.10	33.90-34.00
Malaysia	4.8525-4.8645	2.7010-2.7030
Mexico	5174.60-5179.30	2870.00-2880.00
N. Zealand	3.0335-3.0380	1.6890-1.6920
Saudi Ar.	6.7980-6.8040	3.7495-3.7505
Singapore	3.2550-3.2625	1.8100-1.8120
S. Af (Cm)	4.7325-4.7445	2.6355-2.6370
S. Af (Fn)	6.8340-6.9670	3.8020-3.8760
Taiwan	48.70-48.80	27.10-27.15
U.A.E.	6.6560-6.6640	3.6715-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Jul 11	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14⅞	15-14⅞	15-14 13/16	15 1/16-14 15/16	14 15/16-14⅞	14⅞-14¾
US Dollar	8¼-8⅛	8¼-8⅛	8¼-8⅛	8¼-8⅛	8⅜-8¼	8⅜-8¼
Can. Dollar	14-13¾	14-13¾	13¾-13½	13¾-13½	13⅝-13⅜	13⅜-13⅛
D. Guilder	7⅞-7¾	7⅞-7¾	7 15/16-7 13/16	8 1/16-7 15/16	8¼-8⅛	8⅜-8¼
Sw. Franc	9⅛-8⅞	9⅛-8⅞	9⅛-9	9-8⅞	8 15/16-8 13/16	8 13/16-8 11/16
Deutschmark	8⅝-8½	8⅝-8½	8⅝-8½	8⅝-8½	8¾-8⅝	8⅞-8¾
Fr. Franc	10¼-10⅛	10⅛-10	10⅛-9⅞	10 3/16-10 1/16	10 5/16-10 3/16	10 7/16-10 5/16
Italian Lira	13-11	11¼-10¾	11⅛-10⅞	11⅛-10⅞	11⅜-11⅛	11⅝-11⅜
Belgian Franc	9⅝-9½	9⅝-9½	9⅝-9½	9⅝-9½	9⅝-9½	9⅝-9½
Yen	7¼-7⅛	7⅜-7¼	7⅜-7¼	7⅜-7¼	7½-7⅜	7½-7⅜
D.Krone	10¼-10⅛	10½-10⅜	10⅝-10½	10⅝-10½	10¾-10⅝	10¾-10⅝
Asian $Sing	8 5/16-8 3/16	8 5/16-8 3/16	8⅜-8¼	8⅜-8¼	8 7/16-8 5/16	8 9/16-8 7/16

Long term Eurodollars: two years 8 11/16-8 9/16 per cent; three years 9 1/16-8 15/16 per cent; four years 9⅛-9 per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

July 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7945-1.8160	1.7980-1.7990	1.01-0.99cpm	6.67	2.97-2.94pm	6.57
Canada	2.0845-2.0935	2.0865-2.0875	0.24-0.15cpm	1.12	0.76-0.63pm	1.33
Netherlands	3.33½-3.35½	3.34¼-3.35¼	2-1⅞cpm	6.93	5⅝-5½pm	6.64
Belgium	60.85-61.35	61.00-61.10	35-22cpm	5.59	96-76pm	5.62
Denmark	11.25-11.32	11.27¼-11.28¼	4½-4orepm	4.64	13¼-12pm	4.55
Ireland	1.1035-1.1160	1.1065-1.1075	0.48-0.43cpm	4.93	1.28-1.18pm	4.44
W. Germany	2.96-2.97½	2.96½-2.97	1⅝-1½pfpm	6.81	4⅞-4⅝pm	6.47
Portugal	258.75-261.10	259.20-260.20	60-40cpm	2.31	123-83pm	1.59
Spain	181.05-182.15	181.25-181.55	2-5cdis	-0.23	11-1pm	-0.13
Italy	2168½-2180½	2174-2175	7-6lirepm	3.59	21-19pm	3.68
Norway	11.33¾-11.41½	11.36½-11.37½	4⅜-3½orepm	4.01	11-9⅝pm	3.62
France	9.93¾-9.97½	9.95¾-9.96¾	4⅛-4cpm	4.96	12-11⅛pm	4.76
Sweden	10.70-10.75½	10.72¾-10.73¾	3-2⅛orepm	3.07	7⅛-6⅛pm	2.60
Japan	266¼-268	266½-267½	1⅝-1⅝ypm	7.36	4⅞-4⅝pm	7.19
Austria	20.80-20.91	20.83-20.86	11⅜-10⅝gropm	6.40	33¾-31¼pm	0.68
Switzerland	2.51-2.52¾	2.51¾-2.52¾	1¼-1⅛cpm	5.65	3⅝-3½pm	5.65
ECU	1.4260-1.4365	1.4350-1.4360	0.63-0.60cpm	5.13	1.67-1.62pm	4.57

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.54-5.49cpm 12 month 9.62-9.52cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7945-1.8160	1.7980-1.7990	1.01-0.99cpm	6.67	2.97-2.94pm	6.57
Ireland†	1.6250-1.6330	1.6255-1.6265	0.29-0.24cpm	1.95	0.80-0.70pm	1.84
Canada	1.1560-1.1610	1.1585-1.1595	0.52-0.55cdis	-5.54	1.51-1.56dis	-5.30
Netherlands	1.8495-1.8615	1.8605-1.8615	0.07-0.05cpm	0.39	0.07-0.04pm	0.12
Belgium	33.75-34.00	33.90-34.00	par-6.00cdis	-1.06	3.00-13.00dis	-0.94
Denmark	6.24½-6.27½	6.26½-6.27½	0.95-1.25oredis	-2.11	2.75-3.45dis	-1.98
W. Germany	1.6395-1.6515	1.6500-1.6510	0.02pm-parpfdis	-0.07	0.01pm-0.02dis	-0.04
Portugal	144.25-144.50	144.35-144.45	40-50cdis	-3.74	160-185dis	-4.78
Spain	100.25-101.10	100.95-101.05	80-90cdis	10.10	156-171dis	6.49
Italy	1202-1209¼	1208½-1209½	2.80-3.30liredis	-2.89	8.20-9.00dis	-2.86
Norway	6.29-6.32½	6.32-6.32½	1.15-1.50oredis	-2.52	3.95-4.55dis	-2.70
France	5.50½-5.54¼	5.53¾-5.54¼	0.76-0.81cdis	-1.70	2.42-2.52dis	-1.79
Sweden	5.94½-5.97	5.96¼-5.96¾	1.75-1.90oredis	-3.92	5.75-6.10dis	-3.98
Japan	147.75-148.70	148.60-148.70	0.12-0.10ypm	0.89	0.30-0.27pm	0.77
Austria	11.54½-11.60½	11.59½-11.60	par-0.40grodis	-0.21	0.40-1.50dis	-0.33
Switzerland	1.3810-1.4035	1.4025-1.4035	0.10-0.13cdis	-0.99	0.28-0.32dis	-0.86
ECU	1.2530-1.2620	1.2535-1.2545	0.19-0.18cpm	1.77	0.63-0.60pm	1.96

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6070	+1.04	+0.55	±1.5508
Danish Krone	7.79845	7.87320	+0.96	+0.47	±1.6453
German D-Mark	2.04446	2.06870	+1.19	+0.70	±1.1762
French Franc	6.85684	6.94399	+1.27	+0.78	±1.3618
Dutch Guilder	2.30358	2.33150	+1.21	+0.72	±1.5272
Irish Punt	0.763159	0.771476	+1.09	+0.60	±1.6689
Italian Lira	1529.70	1515.91	-0.90	-1.39	±1.5162
Spanish Peseta	132.889	126.750	-4.62	-4.62	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 11	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.799	2.968	267.3	9.963	2.523	3.348	2175	2.087	61.05
$	0.556	1	1.650	148.6	5.538	1.402	1.861	1209	1.160	33.94
DM	0.337	0.606	1	90.06	3.357	0.850	1.128	732.8	0.703	20.57
YEN	3.741	6.730	11.10	1000.	37.27	9.439	12.53	8137	7.808	228.4
F Fr.	1.004	1.806	2.979	268.3	10.	2.532	3.360	2183	2.095	61.28
S Fr.	0.396	0.713	1.176	105.9	3.949	1	1.327	862.1	0.827	24.20
H Fl.	0.299	0.537	0.886	79.84	2.976	0.754	1	649.6	0.623	18.23
Lira	0.460	0.827	1.365	122.9	4.581	1.160	1.539	1000.	0.960	28.07
C $	0.479	0.862	1.422	128.1	4.774	1.209	1.604	1042	1	29.25
B Fr.	1.638	2.947	4.862	437.8	16.32	4.133	5.484	3563	3.419	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
81	3-24	4-37	0-24	0-61
82	2-39	3-57	0-39	1-17
83	1-59	3-17	0-59	1-41
84	1-23	2-45	1-23	2-05
85	0-60	2-13	1-60	2-37
86	0-40	1-50	2-40	3-10
87	0-25	1-27	3-25	3-51
88	0-15	1-07	4-15	4-31

Estimated volume total, Calls 1119 Puts 1416
Previous day's open int. Calls 20277 Puts 15878

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	3-35	3-52	0-17	0-54
91	2-46	3-08	0-28	1-10
92	1-62	2-31	0-44	1-33
93	1-20	1-60	1-02	1-62
94	0-53	1-31	1-35	2-33
95	0-32	1-06	2-14	3-08
96	0-18	0-51	3-00	3-53
97	0-10	0-36	3-56	4-38

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 1759 Puts 1668

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8200	1.86	2.36	0.28	0.91
8250	1.49	2.04	0.41	1.09
8300	1.15	1.75	0.57	1.30
8350	0.86	1.49	0.78	1.54
8400	0.63	1.27	1.05	1.82
8450	0.45	1.06	1.37	2.11
8500	0.30	0.88	1.72	2.43
8550	0.20	0.72	2.12	2.77

Estimated volume total, Calls 2352 Puts 1982
Previous day's open int. Calls 36262 Puts 33603

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9075	0.81	0.72	0.02	0.13
9100	0.57	0.53	0.03	0.19
9125	0.36	0.36	0.07	0.27
9150	0.18	0.23	0.14	0.39
9175	0.07	0.14	0.28	0.55
9200	0.03	0.08	0.49	0.74
9225	0.01	0.04	0.72	0.95
9250	0	0.02	0.96	1.18

Estimated volume total, Calls 250 Puts 250
Previous day's open int. Calls 9546 Puts 13100

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9075	0.98	0.99	0.01	0.05
9100	0.74	0.77	0.02	0.06
9125	0.50	0.56	0.03	0.10
9150	0.29	0.38	0.07	0.17
9175	0.13	0.24	0.16	0.28
9200	0.05	0.13	0.33	0.42
9225	0.02	0.08	0.55	0.62
9250	0.01	0.04	0.79	0.83

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 3715 Puts 1358

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8450	0.91	1.64	0.03	0.05
8475	0.68	1.41	0.05	0.07
8500	0.46	1.19	0.08	0.10
8525	0.29	0.98	0.16	0.14
8550	0.18	0.79	0.30	0.20
8575	0.11	0.62	0.48	0.28
8600	0.07	0.47	0.69	0.38
8625	0.04	0.35	0.91	0.51

Estimated volume total, Calls 1124 Puts 2459
Previous day's open int. Calls 55615 Puts 53416

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	84-00	84-07	83-19	84-02
Dec	84-20			84-21
Mar				

Estimated volume 21260 (22593)
Previous day's open int. 34549 (34209)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	93-09	93-10	93-00	92-31
Dec	92-31			92-21
Mar	92-24			92-14

Estimated volume 1392 (1463)
Previous day's open int. 5543 (5723)

6% NOTIONAL GERMAN GOVT. BOND
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	83.58	83.65	83.20	83.17
Dec	83.45	83.45	83.10	83.04

Estimated volume 25263 (31604)
Previous day's open int. 60832 (62181)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sep	94.40	94.49	94.40	94.34
Dec	94.76			94.74

Estimated volume 42 (167)
Previous day's open int. 983 (993)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Sep	85.38	85.40	85.35	85.41
Dec	86.09	86.12	86.03	86.13
Mar	86.82	86.83	86.77	86.85
Jun	87.31	87.31	87.28	87.34
Sep	87.70	87.70	87.67	87.74
Dec	87.92	87.94	87.88	87.95
Mar	87.92	87.91	87.88	87.94
Jun	87.83	87.78	87.78	87.83
Sep	87.82	87.78	87.78	87.80
Dec	87.79	87.78	87.78	87.80
Mar	87.79			87.80
Jun	87.83	87.81	87.81	87.80

Est. Vol. (inc. figs. not shown) 24257 (25544)
Previous day's open int. 179466 (179658)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Sep	91.72	91.72	91.70	91.69
Dec	91.71	91.72	91.68	91.65
Mar	91.69	91.70	91.67	91.66
Jun	91.52	91.52	91.51	91.50
Sep	91.39			91.38
Dec	91.23			91.23
Mar	91.16			91.17
Jun	91.06	-		91.07

Est. Vol. (inc. figs. not shown) 1899 (1399)
Previous day's open int. 30832 (30679)

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Sep	91.54	91.54	91.50	91.49
Dec	91.34	91.34	91.27	91.26
Mar	91.33	91.33	91.25	91.24
Jun	91.30	91.30	91.23	91.21
Sep	91.29	91.29	91.25	91.24
Dec	91.27	91.27	91.27	91.24
Mar	91.27	91.27	91.27	91.27
Jun	91.27			91.28

Estimated volume 6720 (9279)
Previous day's open int. 66146 (64090)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Sep	89.63	89.63	89.55	89.59
Dec	89.61			89.63
Mar	89.69			89.71
Jun				

Estimated volume 98 (159)
Previous day's open int. 2490 (2510)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Sep	2426.5	2430.0	2385.0	2389.0
Dec	2483.5	2473.0	2450.0	2446.0
Mar	2531.5	2520.0	2520.0	2493.0

Estimated volume 5450 (2691)
Previous day's open int. 21051 (20641)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7985	1.7885	1.7690	1.7429	1.7028

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.7782	1.7852	1.7730	1.8006
Dec	1.7490	1.7600	1.7460	1.7744
Mar	1.7290	1.7350	1.7230	1.7510

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	93-03	93-06	92-25	92-27
Dec	92-27	92-30	92-18	92-19
Mar	92-23	92-24	92-16	92-12
Jun	-	-	-	92-05
Sep	-	-	-	91-31
Dec	-	-	-	-
Mar	-	-	-	91-19
Jun	-	-	-	91-13
Sep	-	-	-	-
Jun	-	-	-	-

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sep	92.33	92.34	92.31	92.30
Dec	92.49	92.50	92.47	92.44
Mar	92.46	92.48	92.46	92.44
Jun	-	92.30	-	92.29
Sep	-	-	-	92.29

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.7144	0.7161	0.7128	0.7160
Dec	0.7136	0.7150	0.7125	0.7162
Mar	-	-	0.7130	0.7165
Jun	-	-	-	0.7170

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.6754	0.6765	0.6750	0.6758
Dec	0.6766	0.6773	0.6763	0.6771
Mar	0.6785	0.6785	0.6780	0.6775

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.6070	0.6076	0.6058	0.6092
Dec	0.6066	0.6073	0.6060	0.6090
Mar	0.6062	0.6062	0.6062	0.6085

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sep	91.72	91.72	91.70	91.69
Dec	91.70	91.71	91.69	91.66
Mar	91.69	91.69	91.67	91.64
Jun	91.51	91.52	91.50	91.48
Sep	91.38	91.39	91.37	91.35
Dec	91.22	91.22	91.21	91.19
Mar	91.14	91.15	91.14	91.12
Jun	91.05	91.05	91.04	91.02

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sep	361.10	361.60	361.10	360.50
Dec	366.15	366.15	365.85	365.15
Mar	-	367.00	-	369.15

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
1.650	14.40	14.50	14.50	14.50	-	-	0.10	1.15
1.675	12.00	12.00	12.00	12.00	-	-	0.27	1.72
1.700	9.50	9.50	9.50	9.50	-	0.11	0.59	2.35
1.725	7.10	7.00	7.00	7.28	-	0.27	1.13	3.27
1.750	4.70	4.64	5.00	5.55	0.01	0.72	1.87	4.39
1.775	2.22	2.84	3.33	4.11	0.12	1.50	2.83	5.75
1.800	0.65	1.60	2.12	2.99	0.85	2.66	4.24	7.30

Previous day's open int: Calls 365,590 Puts 381,342 (All currencies)
Previous day's volume: Calls 38,119 Puts 29,594 (All currencies)

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open Int.
September	101.90	101.74	-0.02	101.90	101.62	9.69	61,614
December	102.02	101.84	-0.04	102.02	101.74	9.67	6,426
March	102.00	101.84	-0.02	102.00	101.84	9.68	1,385
June	-	-	-	-	-	-	-

Estimated volume 51,572 Total Open Interest 69,425

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls March	Puts Sept.	Puts Dec.	Puts March
100	-	-	-	0.25	-	-
101	1.19	-	-	0.48	0.96	-
102	0.64	1.20	1.62	0.90	1.38	1.65
103	0.30	-	-	-	-	-
104	0.12	0.50	-	-	-	-
105	0.04	-	-	-	-	-
Open Int	108,028	26,632	2,532	78,439	25,082	5,350

Estimated volume 9,454 Total Open Interest 246,063

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
September	89.94	89.90	-0.03	89.95	89.88	10.10	12,342
December	89.92	89.90	-0.02	89.92	89.86	10.11	4,243
March	89.90	89.90	-	89.90	89.84	10.12	1,815
June	89.85	89.85	-0.09	89.85	89.85	10.88	68

Estimated volume 5,995 Total Open Interest 18,468

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
July	1970.0	1981.0	+11.5	1983.0	1958.0	5,499
August	1977.0	1990.0	+10.5	1992.5	1970.0	608
September	1980.0	1980.0	-5.5	1980.0	1980.0	10
December	-	-	-	-	-	-

Estimated volume 4,616 Total Open Interest 6,117

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat. Bk. of Kuwait	15		

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MONEY MARKETS

London rates steady

INTEREST RATES held steady in London yesterday. There had previously been little reaction to sterling's advance and, therefore, it was not surprising that the pound's retreat yesterday brought no reaction from the money market.

Three-month sterling interbank was unchanged at 14 15/16-14 13/16 per cent, while 12-month money was quoted at 14 11/16-14⅝ per cent against 14 11/16-14 9/16.

Trading in short sterling futures remained subdued on Liffe. The most active month of December opened lower at 86.10 and showed little further change to close at 86.09, against 86.13 previously.

UK clearing bank base lending rate
15 per cent
from October 5

Day-to-day credit was in quite short supply on the money market. The Bank of England initially forecast a shortage of £800m, but revised this to £750m at noon, and back to £800m in the afternoon. Total help of £769m was provided.

Before lunch the authorities bought £285m bank bills outright, in band 2 at 14⅞ per cent. In the afternoon another £379m bills were purchased, by way of £3m Treasury bills in band 1 at 14⅞ per cent; £26m bank bills in band 1 at 14⅞ per cent; and £350m bank bills in band 2 at 14¾ per cent. Late assistance of around £105m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £792m, with the unwinding of repurchase agreements on bills absorbing £156m, and a rise in the note circulation £105m. These outweighed Exchequer transactions adding £225m to liquidity and bank balances above target of £10m.

In Paris the Bank of France offered emergency liquidity to the money market, via one-day securities repurchase agreements, at a rate of 10⅜ per cent. This followed a rise in call money to 10⅜ from 10⅛ per cent, as banks struggled to build up reserves ahead of the monthly reporting deadline on Friday. The firm tone may have also reflected speculation that the weakness of the French franc in the EMS will force the Bank of France to raise official interest rates.

In Frankfurt call money remained firm at an unchanged 8.10 per cent, despite the addition of net liquidity by the Bundesbank at this week's securities repurchase agreement tender. The central bank accepted bids of DM24.3bn for a 28-day pact, compared with two expiring agreements, estimated at DM18.6bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 11) 3 months US dollars		6 months US Dollars	
bid 8⅛	offer 8¼	bid 8 3/16	offer 8 5/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed.funds	8¼
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	6.92	Three year	8.43
Two month	7.46	Four year	8.47
Three month	8.06	Five year	8.46
Six month	8.16	Seven year	8.57
One year	8.18	10-year	8.53
Two year	8.35	30-year	8.53

July 11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.20	7.90-8.05	7.95-8.10	8.05-8.20	8.30-8.45	8.00
Paris	10⅛-10 1/16	9 15/16-10 1/16	10-10⅛	10⅛-10 1/16	10 3/16-10 1/16	9.50
Zurich	8⅞-8⅝	9-9¼	-	9-9¼	-	-
Amsterdam	7.68-7.81	7.92-8.02	-	8.15-8.25	-	-
Tokyo	7⅛-7¼	7¼-7⅜	-	7½-7⅜	-	-
Milan	11-11½	11⅛-11⅜	-	11⅛-11⅜	-	-
Brussels	8.35	9⅝-9⅞	-	9⅝-9⅞	-	-
Dublin	10½-10⅜	10⅜-10½	10 5/16-10⅜	10⅜-10 5/16	10¼-10⅜	-

LONDON MONEY RATES

Jul 11	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	15	15	15	14 15/16	14 11/16
Interbank Bid	11	14⅞	14⅞	14⅞	14 13/16	14 9/16
Sterling CDs.	-	-	14 13/16	14 13/16	14 13/16	14 9/16
Local Authority Deps.	14⅞	14⅞	14⅞	14⅞	14⅞	14⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅞	14 13/16	14⅞	14½	-	-
Company Deposits	-	-	14 15/16	14 15/16	14 13/16	14 11/16
Finance House Deposits	-	-	14 15/16	14 15/16	14⅞	14⅝
Treasury Bills (Buy)	-	-	14 11/16	14 11/16	-	-
Bank Bills (Buy)	-	-	14⅝	14⅝	13 15/16	-
Fine Trade Bills (Buy)	-	-	15¼	15	14 13/16	-
Dollar CDs.	-	-	8.32	8.32	8.37	8.50
SDR Linked Dep. Offer	-	-	8⅞	8⅞	9	9⅛
SDR Linked Dep. Bid	-	-	8⅝	8⅝	8¾	9
ECU Linked Dep. Offer	-	-	9 15/16	10 1/16	10⅛	10⅝
ECU Linked Dep. Bid	-	-	9 13/16	10 1/16	10 1/16	10½

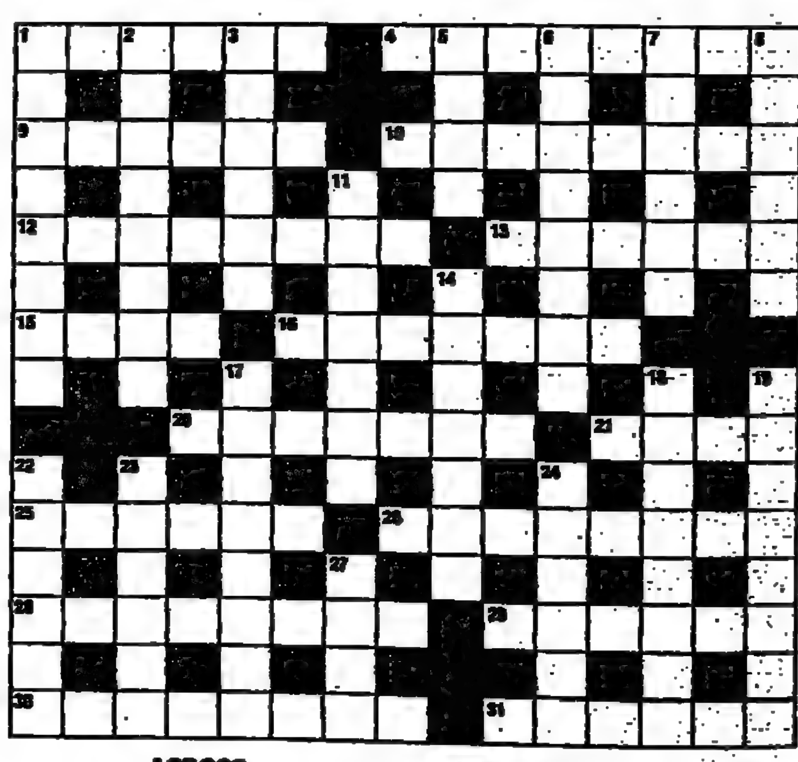
Treasury Bills (sell): one-month 14 5/16 per cent; three months 14 5/16 per cent; Bank Bills (sell): one-month 14 11/16 per cent; three months 14 5/16 per cent; Treasury Bills: Average tender rate of discount 14.3341 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29 1990. Agreed rates for period July 25,1990 to August 25 , 1990, Scheme I: 15.84 p.c., Schemes II & III: 16.25 p.c. Reference rate for period June 1,1990 to June 29 , 1990, Scheme IV&V: 15.025 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from July 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 , Deposits withdrawn for cash 5 per cent.

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	273	Ass. Brit. Ind. Ordinary	273	0	10.3	3.8	7.4
38	19	Armitage and Rhodes	25	0	-	-	-
210	135	Bardon Group (SE)	150	0	4.3	2.9	14.6
125	96	Bardon Group Cv Pref (SE)	97	0	6.7	6.9	-
123	70	Bray Technologies	71	0	4.7	6.6	11.6
110	82	Brembill Conv. Pref	82	0	11.0	13.4	-
316	285	CCL Group Ordinary	316	+1	18.7	5.9	2.5
176	163	CCL Group 11% Conv.Pref	166	0	14.7	8.9	-
225	140	Carbo Plc (SE)	220	0	7.6	3.5	12.9
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	0.125	*Magnet Gp Non-VotingA Cnv	0.1	0	-	-	-
7.5	0.125	*Magnet Gp Non-VotingB Cnv	0.1	0	-	-	-
130	56	Isis Group	56	0	8.0	14.3	3.2
145	58	Jackson Group (SE)	118	0	4.3	3.6	10.5
345	243	Multihouse NV (AmstSE)	322	+2	-	-	-
158	98	Robert Jenkins	130	0	11.0	8.5	3.9
467	320	Scrutons	325	0	20.0	6.2	9.0
177	106	Unistrut Europe Conv Pref	177	+2	10.7	6.0	-
395	235	Veterinary Drug Co. PLC	238	0	22.0	9.2	6.4
386	278	W.S Yeates	386	0	16.2	4.2	32.2

JOTTER PAD

CROSSWORD

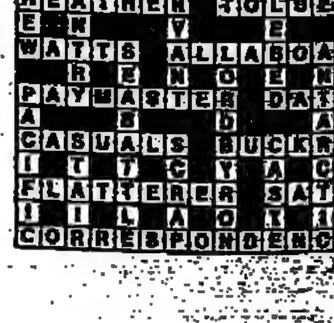
No.7,287 Set by GRIFFIN



ACROSS
1 Royal Mail's first hill (6)
4 So humane could become doctor (8)
9 Wealthy drunk (6)
10 Infirm pet cried uncontrollably (8)
12 Nothing limits lines of special greenhouse (8)
13 Writer Eric's rude in company (6)
15 Quits flat (4)
16 Doctor praises aims .... (7)
20 .... since reason to live comes first (7)
21 Very keen to back singer (4)
25 Man with tray distributed cordial (6)
26 Uninvited male enters when exposed (8)
28 Breaks stolen picture (8)
29 Approaching Advent (6)
30 Spotted something to play with (8)
31 Frustrated bighead scoffed (6)

DOWN
1 Jersey's on top after draw (8)
2 Char accepts food from traveller (6)
3 Starting earlier, mix crop up (6)
5 Ring up once back garden's neat (4)
6 Filtered water Ted's splashing around (8)
7 Sweetheart, satisfied, accepts work on piano (6)
8 Thought it over in time (6)
11 Shout "last flipping glass!" (7)
14 Lost girl guide leader's round home (7)
17 To abandon plane is not unusual (8)
18 Note of those missing its slick form? (4,4)
19 Like accountant managed without sweater? (8)
22 Rushed round S.E. African republic (6)
23 Greeting to the French man outside (6)
24 Learning about a hot city (6)
27 Pressing a rambling rose (4)

Solution to Puzzle No.7,286



WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

CANADA

TORONTO

2pm prices July 11

[illegible]

f—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	July 10	July 9	July 6	July 5	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2890.84	2914.11	2904.95	2879.21	2935.89 (15/6)	2543.24 (30/1)	2935.89 (15/6/90)	41.22 (2/7/32)
Home Bonds	90.93	90.93	91.04	91.10	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1145.62	1149.09	1140.69	1131.02	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.60	205.11	206.11	206.17	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2928.22 (2927.97) Low 2882.18 (2890.84)

STANDARD AND POOR'S

	July 10	July 9	July 6	July 5	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	356.49	359.52	358.42	355.68	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	420.98	424.10	422.33	418.90	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	28.35	28.72	28.71	28.51	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	194.76	196.23	195.78	194.45	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	357.73	358.65	358.87	358.49	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	460.97	461.68	460.53	459.19	468.86 (13/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	July 6	Jun 29	Jun 22	year ago (approx.)
Dow Industrial Div. Yield	3.71	3.74	3.77	3.63

	Jul 4	Jun 27	Jun 20	year ago (approx.)
S & P Industrial div. yield	2.92	2.97	2.93	3.09
S & P Indl. P/E ratio	17.00	16.70	16.87	12.97

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Wal-Mart	4,565,600	33⅛	+ ⅛
AT & T	2,065,400	37½	- ¼
Glaxo Hldgs.	2,055,700	30¾	+ ¼
Citicorp	1,772,600	21¼	- ⅜
Pitney Bowes	1,639,400	43½	- 6⅜
Philip Morris	1,619,400	48⅛	- ¼
IBM	1,244,000	117¼	- 1⅛
Gen. Elec.	1,166,700	70⅝	- ⅝
Albany Int.	1,150,300	14⅛	- 1½
Varity Corp.	1,132,700	3	—

TRADING ACTIVITY

† Volume Millions	July 10	July 9	July 6
New York	147.630	119.390	111.730
Amex	11.919	11.057	7.324
NASDAQ	(u)	118.502	101.399
Issues Traded	1,990	1,972	1,944
Rises	541	755	851
Falls	968	668	540
Unchanged	481	549	553
New Highs	62	65	42
New Lows	50	48	45

CANADA

TORONTO	July 10	July 9	July 6	July 5	1990 HIGH	1990 LOW
Metals & Minerals	3244.88	3234.20	3271.00	3257.40	3453.05 (4/1)	2850.80 (23/4)
Composite	3527.94	3540.64	3549.80	3551.30	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1828.55	1833.65	1840.71	1836.79	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 11	July 10	July 9	July 6	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1591.6	1581.2	1586.9	1554.2	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	750.5	750.3	754.5	737.1	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	632.05	630.65	629.77	621.24	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6224.31	6235.13	6244.17	6245.14	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	377.51	376.74	377.98	378.20	382.50 (15/6)	352.96 (25/4)
FINLAND						
Unitas General (1975)	535.0	537.0	538.6	539.8	677.3 (23/1)	535.0 (11/7)
FRANCE						
CAC General (31/12/82)	524.85	531.54	535.77	533.98	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	1970.58	1963.02	1998.17	2001.90	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	806.26	807.18	816.23	814.22	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2329.9	2333.0	2360.4	2364.2	2424.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1917.89	1909.63	1923.86	1932.80	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3440.93	3488.16	3385.15	3357.61	3440.93 (11/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1633.30	1672.54	1680.89	1678.05	1895.18 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	722.89	720.66	729.88	729.49	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32294.18	32152.43	32538.28	32445.12	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2351.57	2337.77	2362.41	2364.28	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4406.74	4387.67	4397.72	4323.03	4406.74 (11/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	594.33	592.57	592.18	593.86	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	263.8	262.7	264.1	264.1	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	196.4	195.7	196.7	196.7	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	846.78	843.44	833.75	830.87	859.05 (5/6)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	889.67	888.54	884.79	873.67	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	435.43	434.26	433.70	434.47	443.34 (6/2)	402.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1483.0§	1463.0	1525.0	1538.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2960.0§	2953.0	2956.0	2970.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	711.00	718.75	715.88	716.17	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	302.29	302.77	300.84	298.23	382.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1320.9	1326.3	1325.8	1325.0	1329.9 (5/7)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	842.3	843.0	842.3	844.2 (4/7)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	4953.97	5286.61	4986.40	4693.20	12495.34 (10/2)	4524.55 (5/7)
THAILAND						
Bangkok SET (30/4/75)	1054.79	1032.07	(c)	1050.13	1087.53 (3/7)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	524.5	526.0	524.4	571.0 (4/1)	468.3 (2/4)

**Saturday July 7: Taiwan Weighted Price: 4905.83. Korea Comp Ex. 713.41

§ Subject to official recalculation.

Apr6 Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday July 11 1990

	Stocks Traded	Closing Prices	Change on day
Honshu Paper	10.2m	3,080	+180
Nippon Oil	8.8m	1,380	+40
Nippon Steel	8.3m	523	+13
Toda Constrctn	6.8m	2,320	+180
Yakult Honsha	6.1m	2,850	+180
Nissan Constrctn	6.1m	1,550	+80
Mitsubishi Plstcs	5.3m	1,100	+60
Komatsu	5.1m	1,260	unc
Okumura Corp	5m	1,970	+50
Toko Inc.	4.9m	1,130	+60

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

3pm prices July 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
37½	19	AAR	.48	2.1	14	204	22⅝	21⅞	22½	+ ½
9⅝	8	ACM n	1.01	12.		59	8⅞	8⅝	8⅝	− ⅛
11⅝	9⅜	ACMIn	1.26	12.		371	10⅝	10⅛	10½	+ ⅛
9⅜	7¼	ACM M n	1.01	12.		457	8¼	8⅛	8⅛	
12⅛	10	ACMIMM				59	11⅛	11⅛	11⅛	
11½	9⅜	ACM Sc	1.26	13.		725	10⅛	10	10	
9⅜	6⅞	ACMSp	1.01	12.		830	8½	8⅜	8½	+ ⅛
24⅝	14⅜	AL Lab	.16	.7	20	130	23	22⅞	22⅞	
6⅝	2⅛	AM Intl				865	2⅝	2⅜	2½	
23⅛	10⅝	AM In pf	2	16.		49	12¾	12⅞	12⅞	− ⅛
107⅛	62½	AMR			12	1810	62½	61⅛	61⅜	− ⅞
72¼	41⅞	ASA	3a	6.7		385	44⅞	44⅜	44⅜	+ ⅛
42⅛	28⅝	AbtLab	s.84	1.9	22	8098	u43⅝	42⅛	43⅜	+ ⅝
15½	11⅛	AbitiBl g	.50			14	13⅛	13⅝	13⅝	
12⅛	7½	AcmeC	.40	4.8	10	49	8½	8⅜	8⅜	+ ⅛
9⅝	7⅝	AcmeE	.32	3.7	11	15	8⅝	8⅝	8⅝	+ ¼
45	28⅜	Acusn			27	701	u46¼	44⅞	45⅝	+ ⅛
16½	13⅞	AdaEx	2.08e	13.		72	16¼	16⅛	16⅛	
15⅝	10	Adobe				103	11⅛	11	11⅛	+ ⅛
20⅛	18	Adob pf	1.84	9.6		12	19⅞	19⅛	19⅛	− ⅛
21⅝	20⅛	Adob pf	2.40	11.		10	21	20⅞	21	+ ⅛
11⅝	6⅞	AMD			20	1622	9⅞	9	9⅛	+ ⅛
32⅝	28¼	AMD pf	3	9.7		25	31⅛	30⅞	31	
10⅞	3⅝	Advest	.16	4.0	60	118	4	4	4	
62½	46⅛	AetnLf	2.76	5.2	9	2546	52⅞	52⅜	52⅞	+ ⅛
13⅞	9⅜	AffiPb	.24	2.3		285	10⅝	10⅛	10⅛	
25	16⅛	Ahmans	.88	4.2	10	1525	21	20½	21	+ ½
3⅝	1⅞	Aileen				103	2⅛	2½	2½	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices July 11

NASDAQ NATIONAL MARKET

3pm prices July 11

Continued on Page

AMERICA

Firm oil sector and higher bond market boost Dow

Wall Street

STRONG oil stocks, steady gains in the Treasury bond market and the computerised buying which reversed Tuesday's programme selling helped the equity market to make healthy gains by midsession yesterday, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 20.55 higher at 2,911.39 on moderate volume of 102m shares. On Tuesday, selling related to stock index arbitrage had pushed the index down by 23.27 to 2,890.84.

Oils were in demand after oil ministers in the Persian Gulf said their top priority was boosting the price of crude rather than increasing production. In mid-morning trading in New York, August crude oil futures were quoted 23 cents a barrel higher at $17.17, still some way below the $18 a barrel level which is deemed acceptable by Opec members.

At midsession, Mobil was quoted $⅝ higher at $61¼, Chevron added $1⅛ to $70½ and Exxon gained $¾ to $47½.

The broad market was pushed higher by programme trading, which has been responsible for all double-digit movements both up and down in recent sessions. Modest gains in the bond market after the relatively successful auction on Tuesday of $5bn in Resolution Trust bonds also helped the general tone.

Within the broad upswing, there were pockets of weakness, mostly due to disappointing earnings reports. Oracle Systems fell $2⅝ to $19⅝ after announcing net income of 39 cents a share in its fiscal fourth quarter ended in May. This compared with 25 cents a share a year ago but was still below analysts' forecasts.

Systems Center plunged $4 to $18 after estimating that it would report a second quarter loss of 22 cents to 25 cents a share due to charges associated with recent acquisitions. Its president also announced that he was resigning.

Motorola dipped $⅝ to $85½ after reporting a 4.5 per cent increase in net income in the second quarter compared with a year ago, which was roughly in line with expectations.

Hilton Hotels fell $2 to $51 after reporting a drop in its net income in the second quarter to 79 cents a share from 92 cents a share a year earlier.

On a brighter note, Safeway added $⅛ to $16⅝ after reporting that earnings in its second quarter had more than tripled from a year ago.

DeSoto jumped $4⅜ to $44⅜ after its board approved the sale of two subsidiaries for a total of $200m before tax. It is selling its industrial coatings business to Courtaulds of Britain and its emulsifier business to Witco.

American Cyanamid gained $⅜ to $60⅝ amid continuing speculation that Warner-Lambert may be interested in acquiring the company in a stock swap. Both companies declined to comment on the rumours. Warner-Lambert was quoted $¼ lower at $64⅞.

Canada

TORONTO stocks rose slightly in featureless trade, pushed up partly by an advancing US market. The composite index added 10.4 to 3,538.3 on volume of 12.56m shares. Declines led advances 215 to 187.

Among active industrials, Laidlaw was flat at C$27⅝, Provigo rose C$⅛ to C$9¾ while Thomson dropped C$⅛ to C$15⅝. In the metals, Placer Dome rose C$⅛ to C$17⅝, Inco C$⅝ to C$34 and Noranda C$⅝ to C$20.

Indonesia and Thailand come into focus

Fast growth and resilience to Tokyo appeal to foreigners, says Deborah Hargreaves

INTERNATIONAL investors are developing a greater appetite for south-east Asian products, as the markets show their resilience to Tokyo's weakness and the countries exhibit rapid rates of growth.

Amid the general depressed conditions on the international equity market, Indonesia has offered brokerage houses one of the few areas of new issue business this year, as companies have rushed to issue equity. At the same time, a plethora of country funds investing in the region has gained popularity among retail investors.

The focus in south-east Asia is beginning to shift away from South Korea and Taiwan – the traditional engines of the region's economy – as investors look further afield and as countries open up their stock markets to overseas participants. The appreciation of the yen in recent years has seen many Japanese and even Korean companies moving manufacturing capacity to Indonesia and Thailand, for example, giving a kick start to these countries' capital markets.

As international investors seek to augment their portfolios, which have been traditionally underweight in Asian issues, brokerage houses are trotting out a range of products to attract the funds. More than 40 country funds have been set up to invest in Malaysia since the beginning of last year, while the Kuala Lumpur Stock Exchange is trying to open up access to foreign participation.

At the same time, overseas players have rushed to subscribe to a range of Indonesian equity issues which have been launched this year. When PT Astra, the Indonesian conglomerate, made an initial public offering in April, part of which was placed internationally, the offer was 26 times oversubscribed.

The rush of interest in Indonesia has followed the relaxing of listing conditions on the stock market and a removal of the fiscal distortion which had taxed dividends but not bank deposits.

There have been six international equity offerings by Indonesian companies so far this year, all of which have seen heavy buying by overseas investors. The latest, which closes today, is an initial public offering for Sampoerna, the Indonesian cigarette-maker. The company is selling 27m shares and is expected to net about Rp326bn ($181m). In addition, 15 country funds have been set up in Indonesia at a total value of $470m.

The Japanese brokerage houses are most active in south-east Asian country funds and equity issues. Mr Michael Watson, head of new equity issues at Daiwa, says the company is holding a series of seminars in London to inform UK and European investors about the possibilities in the region.

Daiwa's latest Asian country fund will invest 65 per cent of its $60m in Singapore equities, with the rest going to markets in other countries in the Association of South East Asian Nations (Asean). Nikko has sold a similar Asian fund in Japan, which raised Y30bn ($201m).

Interest in south-east Asia has trickled down from the more enterprising institutional investors to retail clients – particularly in Japan – who are keen to buy country funds.

As massive privatisation projects in these countries get under way, there will be more opportunity for direct investment in new equity issues. About 100 companies are now listed on the Indonesian stock market and 265 in Malaysia – the Malaysian telecommunications monopoly, Telekom, is due to sell 25 per cent of its stock in December. The rise in equity issues will see institutions shunning the country funds and taking the plunge into some of these markets themselves.

ASIA PACIFIC

Nikkei makes mild recovery on stronger yen

Tokyo

A STRONGER yen spurred the market and stock prices partially recouped Tuesday's losses, but investors remained generally cautious and trading volume was thin, *writes Martina Gannon in Tokyo.*

The yen's rise at one stage to Y147.65 against the dollar calmed fears of higher interest rates and prompted some speculative and arbitrage buying. The Nikkei average ended 141.75 better at 32,294.18, having reached a high of 32,456.78 in early trading and a low of 32,144.13. The yen finished at Y148.52 against the dollar, its best close since February 26.

Advances outnumbered declines by 546 to 385 with 193 unchanged, and turnover improved to 400m shares from 350m. The Topix index of all stocks listed on the first section rose 13.80 to 2,351.57. The second section advanced 19.07 to a record high of 4,406.74. In London, the ISE/Nikkei 50 index rose 2.54 to 1,755.45.

Buying was mostly in small lots, with little institutional commitment. The focus was on domestically oriented stocks and issues likely to benefit from increased public spending on infrastructure.

"There was a lot of speculation about the yen's very healthy movement – many people were wary that the strength might not last," said Mr Paul Muller at Schroder Securities. "It will take some time, and a firmer bond market, before investors become really confident in the currency. In the meantime, they are picking up on individual situations," he added.

Big steels and shipbuildings drew buying early on, but trimmed their gains later. Pharmaceuticals and foods ended higher, including Ajinomoto which rose Y40 to Y2,030 and Kirin Brewery which advanced Y70 to Y1,880. Yamanouchi Pharmaceutical jumped Y100 to Y3,030.

Oils fared well on expectations that Prime Minister Toshiki Kaifu's visit to the Middle East next month would lead to co-operation between Japanese companies and Middle East suppliers.

Nippon Suisan, a builder of large fishing ships, rose Y14 to Y845 on reports that G-7 leaders at the Houston summit had agreed to help Japan settle its territorial dispute with the Soviet Union, which would expand fishing areas in northern Japan.

Japan Airlines added Y300 to Y18,000. Trading of JAL shares, which have a par value of Y500, will be suspended next month and shares with a new par value of Y50 will be issued on September 11.

Electricals and high-techs were weak. Fuji Photo Film, which advanced earlier in the week, lost Y70 to Y4,620 and Pioneer Electronic was down Y30 to Y6,350. Equities on the second section recovered the high levels of recent days, with transport stocks particularly popular.

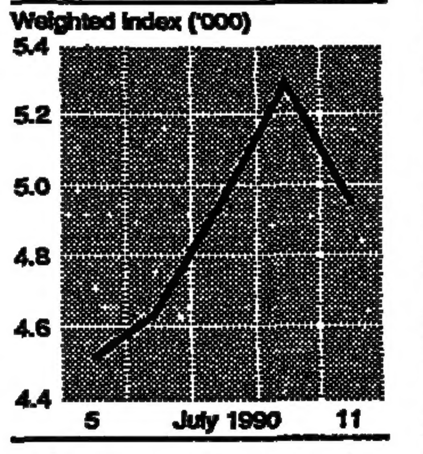
In Osaka, the OSE average edged up Y56.45 to 35,908.29 on improved turnover of 49m shares after 37m on Tuesday. The second section rose above the 9,000 level for the first time ever to end at 9,021.21, up 90.32.

Roundup

TAIWAN SHUDDERED as a local securities house, Chao Chun Securities Co, declared itself bankrupt, *writes Peter Wickenden in Taipei.*

Chao Chun is the first of the island's 350 brokers to go under as a result of the five-month, 60 per cent stock market decline and, observers say, it may represent the tip of an iceberg.

Taiwan



The announcement sent the stock market's weighted index down 332.64, or 6.3 per cent, to 4,953.97 after several days of gains from its 1990 low of 4,524.55 last Thursday. Rumours are flying that several other houses are about to go bust.

Based in Tainan, southern Taiwan, the company opened last November 1 as the market rampaged toward its February 10, record closing high of 12,495.34. Chao Chun declared bankruptcy after accumulating debts of at least NT$600m.

In a survey conducted by the Taiwan Stock Exchange in May, one-third of all brokerages were judged to be "unsound" in their operating practices.

HONG KONG hit its third straight post-1987 crash high, on continued strong buying from overseas investors and in the heaviest trading activity for 14 months.

The Hang Seng index closed 32.77 higher at 3,440.93, its seventh gain in the eight trading sessions so far this month.

Turnover rose from HK$2.13bn to HK$2.74bn, the best since May 25, 1989.

Topping the most active list, Hutchison Whampoa climbed 20 cents HK$13.00 in turnover of HK$179m. Its affiliate, the property group Cheung Kong (Holdings), also advanced 20 cents, to HK$13.70.

Elsewhere, trading in Swillyn International and Teletech International was suspended ahead of a HK$681m Swillyn bid for the 89 per cent of Teletech that it does not already own, the offer representing a 23 per cent premium above Teletech's Tuesday close of HK$1.47, down 33 cents.

SEOUL renewed its latest decline, the composite index falling another 7.75 to 711.00 against an April 30 low of 688.66 before South Korea's stock market stabilisation fund brought a period of equilibrium to a dejected market.

The fund, which has been the sole buying force in recent weeks, took a cautious stance yesterday; its cash reserve has dropped sharply as a result of recent buys.

Declines were across the board, with the exception of rubber and transportation shares which made a slight gain. Financial issues fell 1.3 per cent in their index value.

AUSTRALIA advanced again after Tuesday's rise, the All Ordinaries index adding 10.4 to 1,591.6 and taking its aggregate gain to 2.4 per cent this week. Turnover was 96m shares and A$288m, against 104m and A$282m on Tuesday.

The Australian dollar stayed firm at around US$0.8075 but overseas investors, normally dissuaded by the effect of this on resource company earnings, continued to buy yesterday. A perception that domestic interest rates will fall soon, is adding to the positive sentiment.

BOMBAY became more confident as the day went on, closing higher after a quiet opening. The BSE index gained 16.22, or 1.8 per cent, to 909.30, after easing on Tuesday on institutional selling.

SOUTH AFRICA

GOLD shares were propped up by a steadier bullion price following Tuesday's slump. But a firmer financial rand kept a lid on gains. The JSE all-gold index rose 20 to 1,483 and the overall index added 9 to 3,036. Vaal Reefs gained R5 to R286.

EUROPE

Bourses pay attention to interest rate movements

A GENERALLY firmer day on bourses yesterday was punctuated, in some, by nervous attention to interest rates, *writes Our Markets Staff.*

FRANKFURT dipped below 1,900 again on the DAX index, but closed more than 20 points better than its low at 1,917.89, up 8.26, after a fall of 0.88 to 806.26 in the FAZ at midsession. Volume stayed on the thin side at DM6.2bn, up from DM5.6bn on Tuesday.

Domestic investment funds were in the market for chemicals, which posted rises of DM4.50 to DM273.50 for BASF, DM4 to DM286 for Bayer and DM4.50 to DM271.50 for Hoechst; the sector has lagged behind the market, and has been recommended as undervalued in spite of poor short-term earnings prospects.

Banks, too, were strong, Deutsche Bank putting on DM7.50 to DM824 and Bayerische Vereinsbank DM6 to DM416. Bayernverein has moved well on the UBS Phillips & Drew revelation of 10 and 7½ per cent holdings in the insurers Allianz and Munich Re.

Retailers continued to reflect the 8.9 per cent increase in West German retail sales in May, in real terms. Karstadt rose DM7 to DM729 and Horten DM7.50 to DM279.50.

PARIS concentrated on links between water and construction companies, and recovered after a weak start to close slightly higher. The CAC 40 index rose 7.56 to 1,970.58, after a day's low of 1,949.91, in turnover estimated at FFr2.25bn following Tuesday's FFr1.9bn. There was said to have been little overseas interest.

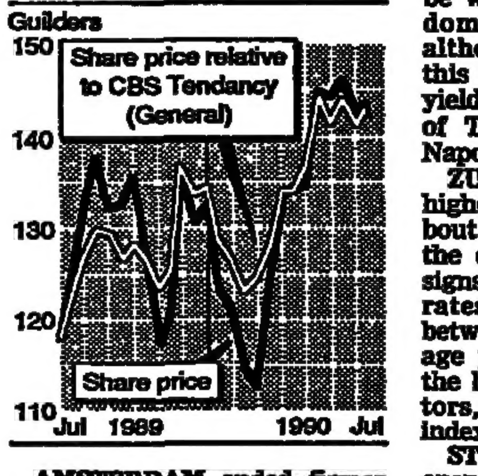
Attention focused on Lyonnaise des Eaux, the water utility, and Dumez, the construction group, which were expected to be requoted today after their suspension at the start of this week. Analysts said that the terms of their merger were generous to Dumez shareholders.

Lyonnaise shares, which closed at FFr702 on Friday, could be rerated to about FFr610 to FFr615 when it reopens, said one dealer – although the price could be higher, at about FFr650, if the market is optimistic about the merger benefits.

The link between Lyonnaise and Dumez also lifted SGE, the construction group in which Générale des Eaux, the water utility, holds a stake. There was a suggestion that Générale des Eaux could be considering buying in the minority. SGE gained FFr15.80 to FFr267 with 89,200 shares traded, while Générale lost FFr35 to FFr2,595 on 25,070 shares.

Elsewhere, Source Perrier recouped FFr57 to FFr1,499 after its recent weakness.

Ahold



AMSTERDAM ended firmer in very thin trading as the summer holiday period set in. The CBS tendency index closed 0.5 up at 119.5.

Trading in Ahold, the retailer, resumed after Tuesday's suspension when a 13.1 per stake held by Asko of West Germany was placed with institutions. The stock fell Fl 1.40 to Fl 141.70, marginally above the Fl 141.60 asked for in the private placement.

Philips descended to Fl 27.80 early on, but a stronger dollar brought it off its lows to close 40 cents easier at Fl 28.20. The national carrier, KLM, which said it had hired the management consultant group, McKinsey & Co, to advise it on how to cut costs, was 50 cents firmer at Fl 35.60.

MILAN was saved from a further fall by a solid performance from the banking and insurance sectors. Even Fiat managed to drag itself off the lows of the day as investors picked up the stock for its now generous dividend yield. The stock goes ex dividend on Monday. But in general, trading was nervous on options expiry day although most outstanding contracts were likely to have been abandoned. The Comit index rose 2.23 to 722.89.

Generali, which had been under selling pressure from domestic institutions recently, perked up to close L500 higher at L42,000. Banks continued to be well-bid on hopes of lower domestic interest rates, although some analysts said this was unlikely, given that yields rose at the latest auction of Treasury bills. Banco di Napoli rose L200 to L19,400.

ZURICH finished modestly higher in steady trading after a bout of bargain-hunting near the close. By early afternoon, signs that short-term domestic rates were coming off by between ⅛ and ¼ of a percentage point focused buying on the banking and chemical sectors, and the Crédit Suisse index rose 2.2 to 679.4.

STOCKHOLM had a delayed opening because of computer problems, and then eased as fears of higher interest rates were fanned by a rise in the yield on Swedish long bonds. The weighted Affärsvärlden General index fell 5.4 to 1,320.9. The weaker tone was compounded by falling volume, which sank to SKr188m. Ericsson free B shares fell SKr13 to SKr1,352 while Asea free Bs were SKr2 lower at SKr340.

MADRID slipped a little after the previous day's advance and before today's inflation figure for June. The general index eased 0.48 to 302.29.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 10 1990								MONDAY JULY 9 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	152.33	+0.5	124.40	143.33	130.44	125.23	−0.4	5.56	151.65	124.53	144.79	130.05	125.78	158.31	125.85	134.59
Austria (19)	265.13	+0.4	216.51	249.46	227.02	226.07	+0.1	1.28	264.09	216.86	252.16	228.48	225.87	285.63	193.15	125.49
Belgium (61)	152.07	+0.1	124.18	143.07	130.21	126.76	−0.2	4.57	151.97	124.79	145.09	130.32	127.04	160.02	132.11	133.99
Canada (119)	137.73	−0.1	112.47	129.58	117.93	115.44	−0.2	3.51	137.88	113.22	131.64	118.23	115.72	153.61	130.37	143.35
Denmark (33)	251.55	−0.1	213.59	246.10	223.96	222.33	−0.5	1.30	261.91	215.07	250.08	224.60	223.35	262.92	236.69	217.32
Finland (26)	135.73	+0.1	110.84	127.72	116.22	109.26	−0.3	2.51	135.60	111.34	129.47	116.28	109.57	152.29	129.99	144.24
France (124)	157.11	−1.0	128.30	147.82	134.52	136.22	−1.1	3.01	158.68	130.30	151.50	136.07	137.77	168.85	141.69	125.83
West Germany (92)	137.44	−1.0	112.24	129.34	117.68	117.68	−1.1	1.90	138.82	113.99	132.56	119.04	119.04	138.82	122.05	93.64
Hong Kong (48)	141.96	+0.8	115.93	133.57	121.56	141.56	+0.7	4.43	140.90	115.70	134.53	120.84	140.60	141.96	112.24	102.85
Ireland (17)	189.85	−0.4	155.04	178.63	162.56	164.07	−0.5	2.67	190.57	156.49	181.96	163.43	164.94	198.57	172.72	142.15
Italy (96)	103.93	−1.3	84.88	97.79	88.99	93.65	−1.4	2.51	105.27	86.44	100.50	90.27	95.01	109.26	91.85	89.95
Japan (454)	149.88	+0.3	122.39	141.02	128.35	141.02	−1.2	0.60	149.43	122.71	142.68	128.17	142.68	197.26	124.40	180.70
Malaysia (35)	236.29	+0.4	192.96	222.32	202.32	245.80	+0.2	2.21	235.45	193.34	224.80	201.91	245.24	245.32	204.15	188.82
Mexico (13)	502.14	−0.2	410.06	472.46	429.97	1575.11	−0.1	0.33	503.14	413.15	480.40	431.48	1578.05	549.86	324.53	277.40
Netherland (43)	140.91	−0.5	115.07	132.59	120.66	119.30	−0.6	4.72	141.55	116.24	135.16	121.40	120.01	145.66	130.43	123.93
New Zealand (17)	67.96	+1.9	55.50	63.95	58.20	60.76	+1.5	7.22	66.70	54.77	63.69	57.21	59.88	75.36	59.57	66.99
Norway (23)	242.17	+1.6	197.76	227.87	207.37	207.00	+1.2	1.53	238.36	195.73	227.59	204.41	204.47	245.90	202.34	192.75
Singapore (25)	203.99	+0.4	166.59	191.94	174.67	170.76	+0.1	2.03	203.22	166.87	194.04	174.27	170.58	207.93	179.70	164.26
South Africa (60)	175.17	−1.7	143.05	164.82	149.99	153.47	−1.9	3.88	178.25	146.37	170.19	152.85	156.47	251.39	170.00	151.61
Spain (42)	177.54	+0.7	144.99	167.06	152.02	135.65	+0.6	4.03	176.26	144.74	168.30	151.16	134.80	177.54	132.84	153.75
Sweden (34)	231.67	+0.0	189.18	217.98	198.37	204.14	−0.2	1.98	231.75	190.30	221.28	198.75	204.58	232.74	173.89	174.74
Switzerland (67)	108.67	−0.2	88.74	102.26	93.07	94.05	−0.1	2.20	108.90	89.42	103.99	93.40	94.18	108.90	88.75	85.22
United Kingdom (304)	170.83	+0.1	139.50	160.71	146.26	139.50	−0.4	4.88	170.65	140.13	162.92	146.33	140.13	170.83	139.87	151.07
USA (539)	144.21	−0.8	117.77	135.70	123.49	144.21	−0.8	3.36	145.35	119.35	138.78	124.65	145.35	148.55	130.61	133.98
Europe (981)	152.86	−0.3	124.66	143.64	130.72	127.69	−0.6	3.60	153.17	125.78	146.25	131.36	128.50	153.43	135.57	125.74
Nordic (116)	214.42	+0.1	175.10	201.75	183.60	178.07	−0.1	1.70	214.17	175.86	204.49	183.66	178.32	214.73	165.01	172.57
Pacific Basin (659)	149.55	+0.3	122.13	140.71	128.06	140.16	−1.1	0.92	149.07	122.41	142.34	127.84	141.68	192.75	124.63	176.01
Euro−Pacific (1640)	151.21	+0.0	123.48	142.26	129.47	135.70	−0.9	2.02	151.14	124.11	144.30	129.61	136.92	174.18	130.35	156.01
North America (658)	143.72	−0.7	117.37	135.24	123.09	142.30	−0.7	3.37	144.80	118.90	138.27	124.19	143.38	147.87	131.02	134.44
Europe Ex. UK (677)	140.25	−0.6	114.54	131.99	120.12	120.19	−0.8	2.76	141.14	115.89	134.78	121.06	121.11	141.78	124.81	109.76
Pacific Ex. Japan (205)	144.60	+0.6	118.25	136.27	124.00	126.74	+0.1	4.85	143.93	118.19	137.44	123.44	126.93	144.80	122.53	119.87
World Ex. US (1832)	151.20	+0.0	123.47	142.27	129.47	135.57	−0.9	2.08	151.16	124.13	144.34	129.64	136.77	173.77	131.30	155.60
World Ex. UK (2067)	145.33	−0.3	118.68	136.75	124.46	138.21	−0.9	2.24	145.76	119.69	139.18	125.01	139.45	162.00	130.80	146.44
World Ex. So. Af. (2311)	147.42	−0.2	120.39	138.72	126.25	138.18	−0.8	2.51	147.78	121.35	141.11	126.74	139.35	161.84	131.95	146.81
World Ex. Japan (1917)	147.88	−0.5	120.76	139.16	126.65	137.06	−0.7	3.52	148.67	122.08	141.97	127.52	138.00	148.81	134.62	130.88
The World Index (2371)	147.59	−0.2	120.53	138.88	126.39	138.29	−0.8	2.52	147.96	121.50	141.28	126.90	139.47	162.05	132.25	146.84

Latest prices were unavailable for this edition.

BUSINESS LAW

Threat of takeover directive

By Richard Godden

HUMAN nature is such that the regulation and supervision of all forms of business activity is essential in order to thwart the unscrupulous and protect the defenceless.

A regulatory regime must not, however, confine its objectives to the catching of crooks. It must also aim to guide and lead the honest and to fulfil its tasks in such a way as to interfere as little as possible with legitimate business activity.

All too often this has been overlooked by legislators and regulators around the world. Each revelation of abuse and wrongdoing has led to new and increasingly complex regulations and remedies designed to ensure that "it never happens again". The result has been regulations which are inflexible, wider than intended and so convoluted as to create uncertainty.

It is by no means obvious that such regulations succeed in preventing wrong doing. What is clear, is that they impede legitimate business activity. If this were inevitable, it would be forgivable. In reality, however, it is normally avoidable.

So far as the UK is concerned, the regulation of takeovers is an excellent example of a regime which avoids the pitfalls mentioned above. The Takeover Code has become increasingly detailed over the years but it remains basically straightforward.

More important, the Takeover Panel interprets it purposefully, applying its "spirit" to achieve its purpose and, conversely, relaxing it in circumstances in which it would otherwise be unnecessarily restrictive.

The risk that this might lead to uncertainty is largely countered by the ability of the panel to give authoritative rulings as to the application of the code to particular proposals in advance of the implementation.

This enables the parties to offers to know where they stand and has the added benefit that the panel can require advance consultation, which frequently enables it to take preventive, rather than merely remedial, action.

There are, of course, deficiencies in the panel's regime, but its fundamental strength is that it has proved able to adapt swiftly to changes in the business world without losing sight of its basic objectives.

It is, therefore, most disappointing that the proposed European Community 13th Company Law Directive, currently under negotiation, puts many of the essential features of the panel system at risk.

That directive, commonly called the "Takeover Directive", is in many respects derived from the panel system, which the European Commission has indicated it has no wish to destroy. None the less, the system may well be destroyed if the proposed directive is not substantially amended.

The greatest danger is that it will result in the courts being more involved in the regulation of takeovers. At the moment in the UK, the role of the courts is small.

In the well-known Datafin case (1), the Court of Appeal established that panel decisions are subject to judicial review, but indicated that the relationship between the panel and courts should be "historic rather than contemporaneous".

In other words, the courts will normally only intervene, if at all, after a takeover is over and then only by means of a declaratory order which would not affect the outcome of the takeover but would prevent the panel repeating any error and relieve individuals of its disciplinary consequences.

This approach of the courts significantly restricts the ability of parties to offers to use litigation as a tactical weapon. It is also crucial to the panel's ability to operate swiftly and provide certainty by means of conclusive advance rulings.

Inevitably, the Takeover Directive will, to some extent, alter the legal basis of UK takeover regulation. It thus raises the question, what role are the courts to play in the future? Unfortunately, it fails to answer this question, which is, therefore, left to be determined by general principles of European and English law.

This is wholly unsatisfactory because those principles are unclear. Consequently, there is a real danger that, if it is promulgated in its existing form, the directive will undermine the "Datafin doctrine".

The United States and Australia provide illustrations of what might then happen. There the courts have not restricted their role and recourse to litigation is a standard tactic in contested takeovers.

The Broken Hill Property saga, for example, resulted in no less than 23 court actions and the contrast between the battle for control of Time and that for BAT prompted the Wall Street Journal to comment that the situation could be summed up in two propositions: "It's better to be a shareholder in Britain. It's better to be a lawyer in America."

Another significant danger is that the directive will not permit the necessary degree of flexibility and will thus lead to a bureaucratic system of regulation.

In order to preserve the panel's existing flexibility, member states must be able to modify or waive the rules laid down in the directive, where appropriate, having regard to the principles set out in it.

The Commission has, to a certain extent, acknowledged this point but its proposals do not go far enough and the essential flexibility of the UK system, therefore, remains under threat.

The detailed provisions of the directive are also seriously defective. It is, for example, envisaged that offers would be announced simultaneously in all member states in which the target company is listed.

This may sound innocuous, even laudable, but it may well lead to undesirable delays and uncertainty in the market, particularly since the directive permits member states to require that their authorities approve announcements before issue.

Equally fine sounding but dangerous, is the proposed requirement that revised offers be made available to all shareholders who have accepted the original offer. Unlike the Takeover Code, the directive does not permit exceptions in the case of shareholders resident in jurisdictions having onerous requirements relating to offers of securities.

Consequently, unless the directive is amended (and the Commission has so far opposed any amendment) it will make it impossible in practice to revise or introduce securities exchange offers in situations in which the target company has shareholders resident in the US, Japan or other similar jurisdictions.

The directive also imposes a simplistic, rigid timetable for offers which will, quite unnecessarily, prevent offerors extending their offers, yet, paradoxically, may well lead to a return of abuses which the code's more flexible timetable prevents. There are many other examples of this kind of absurdity.

The directive does not seem to be enthusiastically supported by any member state. None the less, there is a real danger that it may be promulgated in a seriously defective form.

Public takeover offers are rare in most member states. About three-quarters of all such offers take place in the UK. Consequently, the directive is not of serious concern outside the UK and, particularly in the face of the political momentum of the 1992 programme, most member states seem unwilling to oppose directives, no matter how deficient, which relate to what they regard as minor matters.

The Commission regards the directive as an important step on the road to the harmonisation of company and securities law. If it really would achieve this end then, for all its deficiencies, it might have value.

It is, however, a "minimal" directive and will achieve little in the way of harmonisation beyond requiring that each member state establish some sort of basic regulatory regime.

Furthermore, even those of its provisions which might have some value in breaking down barriers to cross-border takeovers (such as that prohibiting directors from frustrating offers) are so deficient as to be of very limited value in practice.

Their impact in reducing barriers would in any event be more than outweighed by the adverse impact of the remainder of the directive in erecting new barriers. This would be directly contrary to the aims of the European Community.

It is, therefore, essential that every effort be made to remedy the deficiencies in the directive.

If this is not done, it is likely to prove a considerable barrier to legitimate business activity and result in takeover regulation in the UK and the rest of the Community joining the long list of regulatory regimes which have lost sight of their objectives.

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